

## Government 'buys' a new chief for BSC from America

Britain is to pay an American merchant bank a "transfer fee" of up to £1,825,000 to secure the release of Mr Ian MacGregor to be the new chairman of the British Steel Corporation in succession to Sir Charles Villiers. The Commons

heard the news with incredulity. Announcing the appointment Sir Keith Joseph, Secretary of State for Industry, said that Mr MacGregor, a Scottish-born businessman, was "phenomenally energetic and successful".

## £1.8m deal angers Commons

By Fred Emery  
Political Editor

There was incredulity, scorn than anger in the Commons yesterday when the Government announced that it would be paying a "transfer fee" up to £1,825,000 to an American merchant bank to secure the release of Mr Ian MacGregor to be the new chairman of the British Steel Corporation.

Mr MacGregor, who will be 68 Sept 6, joins BSC today and will succeed Sir Charles Villiers, aged 67, as chairman on July 1.

In vain did Sir Keith Joseph, Secretary of State for Industry, plead that this unprecedented arrangement was "totally justifiable" in securing someone he said was "the best man for the job".

For the Opposition, Mr Michael Foot, the deputy party leader, called it "farcical bribery"; and besides Labour, MPs on the Conservative and Liberal benches were clearly dismayed, when they had stopped hooting with laughter, at what one Conservative backbencher called the "Gilbert and Sullivan complexity" of the deal.

There were strong indications last night that the terms had not been set by the full Cabinet, and that some members of the Cabinet were worried at the public reaction to the news.

Sir Keith, when challenged to say whether the Cabinet had agreed the terms, would say only that it was a "government decision". Mrs Thatcher, sitting on the front bench, nodded her approval.

Such was the initial shock and hilarity over Sir Keith's dogged delivery of the details, as if they were the most normal way of paying the "going rate", that Mr Barry Jones, Labour MP for Flint, East, intervened with a rare public insult: "Is he well?" he asked of Sir Keith.

To secure Mr MacGregor's release from full partnership in Lazard Frères, the New York

firm, the government (not BSC) is to pay the fee in two elements. First, Lazard will be paid £675,000 for the three years of Mr MacGregor's appointment; if he fails to serve the full three years, two-thirds of that sum will be repayable, pro rata.

Second, Lazard will get, in a payment linked to BSC's performance under the new chairman.

Mr MacGregor will himself receive £48,500 a year, plus any share of Lazard's profits which he would receive in the "limited" but no longer "active" partnership he would continue to hold in Lazard Frères.

He will also continue to receive payment for a directorship he holds in the American metals firm Amax.

Great hilarity in the Commons was reserved for Sir Keith's explanation of how the "performance" standards would be judged. They would be assessed by a committee consisting of two persons nominated by Lazard, two persons nominated by Sir Keith and an "independent chairman" agreeable to both.

The criteria for such performance standards, still to be defined, would include not only financial output but strength of management, industrial and export and productivity success.

Mr MacGregor, appointed by the Labour Government to be deputy chairman of BL, has, although Scottish-born, spent most of his working life in the United States and was from 1965-77 chief executive of Amax.

MPs could not understand why someone would not take the BSC job to "serve his country" (as Mr Peter Emery put it), but Sir Keith explained that Mr MacGregor had commitments to Lazard Frères in which he was a senior partner. It was normal American practice to "buy out" top executives in this way, he said.

In answer to questions Sir Keith disclosed that among about 40 names considered for the BSC post during his 10-month search, several, including "one or two active in British industry", had been canvassed apparently ahead of Mr MacGregor.

Mr Foot, with Mr John Silkin, Labour spokesman on industry, pressed for a Commons debate on the appointment. Mr Foot called Sir Keith's manner an insult to workers and management at BSC. However ministers last night indicated that the Government will refuse to arrange a debate next week.

Parliamentary report, page 11  
Villiers message, page 14  
Leading article, page 15

## Transfer conditions will be source of controversy

By Peter Hill  
Industrial Editor

The taxpayer is to pay up to nearly £2m in the form of an unprecedented "transfer fee" for the services of Mr Ian MacGregor, the American businessman who is to run the British Steel Corporation for the next three years.

Sir Keith Joseph, who announced the appointment in Parliament, said later that that was the price the Government had to pay for a man who was "phenomenally energetic and successful".

Mr MacGregor, a Scottish-born American, will join the bankrupt BSC today as a part-time deputy chairman and will take up his post as chairman at the beginning of July.

He will be relinquishing a number of directorships—including that of deputy chairman of BL—but will retain others and his links with Lazard Frères, the American investment bank, in which he is a senior partner. His role there will be reduced to that of a limited partner with a reduced interest in the company.

Terms and conditions which the American firm has extracted from the Government in return for releasing him will

Mr Ian MacGregor: "Phenomenally energetic and successful."

be a source of continuing controversy and are bound to generate unrest among other state industry chairmen.

Although he will receive the same salary, £48,500, as Sir Charles (who will be leaving later), he will receive a higher salary, and, as planned, that is likely to be increased as a result of recommendations from the Top

Salaries Review Body, soon to be published.

In order to judge the effectiveness and achievement levels attained, the Government has introduced another layer of bureaucracy into the management of the corporation.

Jointly with Lazard, the Department of Industry will decide on performance criteria for BSC, including management strength and succession.

Mr MacGregor, who as chief executive officer of Amax, a major American metals and natural resources company, extremely diversified its interests, has been receiving a salary estimated at three times the level of that he will receive at BSC.

His appointment brings to an end nearly a year of searching and discussions have been taking place with Mr MacGregor for the past three months. He was asked five years ago to take over as chairman on the retirement of Sir Monty Finnis, the former BSC chairman, but refused.

Defending his acquiescence in negotiation to the tough financial terms demanded by the American bankers at a press conference, he said:

"Senator Edward Kennedy, stating the obvious, said today that President Carter's decision

Continued on page 19, col 1

## Prince defies doctors after polo fall

The Prince of Wales arrived at a dinner last night with an inch-wide sticking-plaster reaching from the base of his nose to his ear lobe, after falling from his pony during polo practice.

He told the Electronic Engineering Association: "I apologize for the state of my appearance. I feel rather guilty I must say. I look as if I have just escaped from the Egyptian department of the British Museum."

What the Prince did not tell diners at the Café Royal in London's West End was that he had stitches in his face after the accident at Windsor earlier in the day. He was treated at the King Edward VII Hospital.

The Prince said: "The doctors actually told me I should not come here this evening."

"They were most adamant about it, but as I had swerved blood over this speech I was damned if I was going to give it to my private secretary to read. This has become very much a personal matter".

Then the Prince launched into a strong call to the Government and public bodies to buy British.

## £7,500m plan to modernize telephones

The Post Office plans to spend £1,500m a year over the next five years in an "unprecedented" effort to improve the quality of the telephone service.

Mr Peter Benton, managing director of Post Office Telecommunications, said financing for the plan was being discussed with the Department of Industry and the Treasury, as external borrowing would be required. He envisaged a 50 per cent increase in the size of Britain's telephone network in the next decade.

Continued on page 19, col 1

North Sea licences

A further 90 blocks in the North Sea are to be licensed by the Department of Energy for the exploration and production of oil and gas. This will be the seventh round of licensing since 1964 and is 20 blocks larger than originally planned.

Continued on page 19

Birth curb ban attack

The official Roman Catholic teaching that artificial birth control is wrong is no longer tenable, The Clergy Review, one of the most influential Roman Catholic journals, says

## EEC to sell surplus butter to Russia

The EEC is to sell the Soviet Union 20,900 tonnes of heavily-subsidized surplus butter, at a total cost to the Community taxpayers of more than £2m. The sale is certain to provoke controversy.

Continued on page 7

## Countryman change

Changes aimed at speeding up Operation Countryman, the inquiry into London police corruption, include the appointment of Mr Peter Matthews, Chief Constable of Surrey, as its controller, with two senior Scotland Yard officers as his principal assistants.

Continued on page 2

## Chemical arms plea

A report recommending that Nato's chemical weapon stocks should equal the estimated offensive capability of the Warsaw Pact countries as a deterrent has been prepared by a Conservative MP for the Western European Union.

Continued on page 5

## Print dispute goes on

Most provincial newspapers are expected to be off the streets for another week after an employers' decision to continue suspension of National Graphical Association members.

Continued on page 2

## Action Day not trade dispute, MPs told

By Hugh Noyes  
Parliamentary Correspondent  
Westminster

Mrs Thatcher told the Commons yesterday that subject to confirmation by Sir Michael Havers QC, the Attorney General, trade unions would not have immunity from legal action in a court of law if they called out their members on the TUC's Day of Action against the Government.

The Prime Minister was asked by Mr Ivo Stanbrook, Conservative MP for Bromley, Ontario, if the law, nor the TUC, that neither the law nor the Government would protect them by one penny from action in the courts by businesses who suffered damage when their workers were called out on May 14.

Sir Michael Havers is in Barbados at a conference of Commonwealth law officers and is not expected back before the middle of next week.

The Institute of Directors has asked Sir Michael to clarify the position.

No part, teachers say: The Assistant Masters and Mistresses Association will take no part in the TUC's Day of Action, Miss Ann Gray, president, said yesterday (Our Education Correspondent writes).

Of the five main teachers' unions, only the National Union of Teachers, which represents just over half all teachers, is planning to support the TUC, but only 18 of that union's SSE branches have said that they will stage half-day strikes.

Normal television: Two of the main broadcasting unions have decided not to recommend their members to stop work on May 14. Kenneth Gossling writes. They are the Association of Broadcasting and Allied Staffs and the Association of Cinematograph, Television and Allied Technicians.

Parliamentary report, page 11

## Deadlines pass without incident at Iranian Embassy as Briton is freed Police say gunmen's demands cannot be met

By Stewart Tendler,  
Nicholas Timmins  
and John Witherow

The demands made by the gunmen in the Iranian Embassy in London cannot be met in full, Sir David McNee, the Commissioner of the Metropolitan Police, said last night as the siege, believed to involve 20 hostages, approached the end of its second day.

Although the gunmen have not stiffened demands which involve the release of 91 prisoners in Iran and a flight out of Britain for the gunmen and their hostages, they have allowed two deadlines to pass without carrying out any of the threats they had made.

They... also released Mr Christopher Crainer, a BBC producer, who needed medical attention. Last night the police said there were at least three Britons in the embassy.

One is Police Constable Trevor Lock, of the diplomatic protection group, another is Simon Harris, a BBC sound recordist, and the third is thought to be Mr Ronald Morris, aged 47, a junior at the embassy.

Among the Iranian hostages one has been identified by relatives as a secretary, Mrs Kanji, who is three months pregnant, and another is a Lebanese journalist, Mustapha Karkouti.

Sir David McNee said in his statement: "The gunmen inside the Iranian Embassy must know that is not within our powers to meet all of their demands, whatever our views on the rights and wrongs of their cause may be. I appeal to them to remain calm. Hasty action may cause even more suffering to their own people in Iran."

Sir David spoke after the deadlines set at noon and then 2 pm were well passed.

As the first deadline approached Deputy Assistant Commissioner John Dellow, in charge of the police operation, said he was not sure the gunmen would carry on to the full their threat to kill the hostages and blow up the embassy. The police know the gunmen have weapons but are not certain whether they also have explosives.

"All my officers engaged in this incident are concerned to do what we always try to do,

A policeman going down with a suspected broken ankle as he was trying to separate two demonstrators outside the Iranian Embassy Princes Gate, Knightsbridge, London, yesterday. Photograph by Peter Trewavas

## No boycott by Riyadh on deals with Britain

From Edward Mortimer  
Riyadh, May 1

No formal instructions to boycott British firms have been given to Saudi Arabian government departments, it was told today by Dr Soliman Salaini, the Minister of Commerce.

The earliest results in yesterday's local elections showed that Labour seemed assured of victory towards the trade unions, and despite the win there is no question at all that the members in Fleet Street will protest against the actions of the Government as individuals on May 14.

Mr Joe Wade, general secretary of the National Graphical Association, said: "It seems to me it is a futile gesture of their part, and one can only assume they are indulging in petty propaganda. We shall defend the action, and are quite confident we will defend it satisfactorily."

"But whatever happens, we shall continue to follow the TUC line. There will be one way or another, whatever anybody says. That is a fact, because I am quite convinced that our members will follow the TUC line."

Labour also retained Stoke-on-Trent, with exactly the same number of seats.

Early results included:

## Non-metropolitan districts

DERBY (Lab): C 5, Lab 8. New Council: Lab 26, C 18.

STOKE-ON-TRENT (Lab): Lab 20, C 1. New council: Lab 57, C 3.

NO CHANGE.

ROSSENDALE (C): C 4, Lab 8. Lab gain 6 from C; Lab gain 1 from L. New council: C 21, Lab 13, C 2.

No change.

cess applications from companies abroad for commercial registration in Saudi Arabia. Applications from British firms, he said, were in the present atmosphere likely to be "kept... until something is done".

What was needed to repair the damage, he continued, was firstly for political leaders of the two countries to make contact with a view to "mending the atmosphere".

"It's not a question of changing each other's ways of doing things. It's a matter of mutual cooperation to solve a problem like this and prevent it from happening in the future."

Secondly, the British media should "appreciate the consequences of a film like this" and make an effort to give a more balanced presentation of Saudi Arabia. They should "look into the positive aspects" of Saudi Arabia's rapid development as well as the negative.

Dr Salaini confirmed that a visit by King Khalid to Britain in June had been postponed, as

Continued on page 8, col 4

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## HOME NEWS

# Changes in Operation Countryman control intended to speed up progress of the investigation

By Stewart Tendler

Important changes were announced yesterday in the control of Operation Countryman, the inquiry into police corruption in London. The changes are intended to speed up the inquiry but they will be seen as a clear criticism of the investigation's progress and they suggest a strong undercurrent of anxiety and police politics under the surface.

Mr Leonard Burt, Assistant Chief Constable of Dorset, who has led the operational side of the inquiry since its inception in 1978, will not return to the post when he finishes a period with his own force this summer.

Instead Mr Peter Matthews, Chief Constable of Surrey, who was recently appointed adviser to the inquiry, will take overall control of operations and general policy. He will bring two senior officers from Scotland Yard to join the 80 provincial policemen in the inquiry.

Deputy Assistant Commissioner Ronald Stevenson, a former head of Scotland Yard's Complaints Investigation Bureau, has experience of the underworld in London. Det Chief Supt Christopher Draycott, now in the City Department at Scotland Yard, will handle

liaison between the inquiry and London forces.

The three appointments reflect the criticism the inquiry has drawn within police circles. It has been said that the inquiry is taking too long and showing too few results, partly because the provincial men are not experienced in the ways of London.

It has also been said that the Countryman team has been too secretive and has not informed Scotland Yard when arrested people have appeared in London courts.

In recent weeks there have been several warnings that changes were to come when Mr Burt formally returned to his force today, where he is filling in for a senior officer on secondment to Hongkong.

Countrymen officers believe Mr Burt would return later in the summer to the operations base at Godalming, Surrey. It is understood that they were not aware that changes were imminent.

The short announcement issued by Sir David McNee, Commissioner of the Metropolitan Police, and Mr Peter Marshall, Commissioner of the City of London Police, said the changes had been made in view

of the length of time the inquiry has taken. It was felt that more should be done to expedite both to allay public anxiety and to prevent police morale being affected.

It is not clear yet how Mr Matthews will alter the investigation but it is possible that he will reduce the size of the team and press for action as soon as possible.

Countryman was established to examine allegations against police officers after three big robberies involving two newspaper offices and a City bank. So far four officers and two civilians have been charged with various offences. Another four officers are suspended.

Against that there has been criticism that Countryman has not got to the root of the matter. One detective chief inspector who was suspended has been returned to duties and charges against another were dropped in court, although he is still suspended.

In recent months some of the criticism has become public with a former adviser to the inquiry defending the team's record and then being attacked by senior police officers and politicians for bringing the issues into the open prematurely.

Fleet Street has been affected four times by "guerrilla" stoppages, usually involving only a few dozen key members of the National Graphical Association, which represents the Newspaper Society, representing provincial publishers, and the British Printing Industries Federation, representing 3,700 general printing firms.

Local newspapers and printing companies had been suffering disruption by the union for five weeks before the employers implemented their draconian threat of a full lockout. The union is refusing to compromise on its claim for an £80 minimum earnings guarantee and an immediate 37-hour week.

Contraception may be disastrous and not something one would practise for its own sake, any more than taking medicine or undergoing surgery would be done for its own sake. But to declare it intrinsically evil and therefore in no circumstances morally justifiable, is to go beyond the evidence of Scripture or philosophy, and of experience.

He also publishes in the May edition a detailed criticism of the way successive Popes have maintained the official ban, which was last affirmed in 1968 by Pope Paul VI in the encyclical, *Humanae Vitae*.

Father Richards says that a very high proportion of married Roman Catholics regard the ban on contraception as unacceptable, and it has proved difficult, if not impossible, for the parish clergy to defend it.

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## End birth control ban, priest says

By Clifford Longley

Religious Affairs Correspondent  
The official Roman Catholic teaching that artificial birth control is wrong is no longer tenable, according to a leading article in one of the most influential Roman Catholic journals.

Any reaffirmation of that teaching would be "a most irresponsible act which would cause disastrous pastoral consequences", the article says.

It appears in the May edition of *The Clergy Review* and is signed by the editor, Father Michael Richards. The journal circulates mainly among Roman Catholic priests, and is an editorial board headed by the Right Rev B C Bull, auxiliary Roman Catholic bishop of Westminster and the "doyen" of English Roman Catholic theologians.

Father Richards is known for his sometimes controversial opinions, which are not necessarily endorsed by the distinguished clergymen associated with the journal, but on the issue of contraception he points out that he has supported the official teaching on birth control.

"Some may remember that in 1968 I was involved in the defence of *Humanae Vitae*, which I found a much more positive and creative document than did many others", he states.

But he adds: "I do not think that the church's mind can stand still over his issue, any more than it has done, for example, over ecumenism or religious freedom, or church-

state relations, in all of which areas recent developments have been remarkable, not to say revolutionary".

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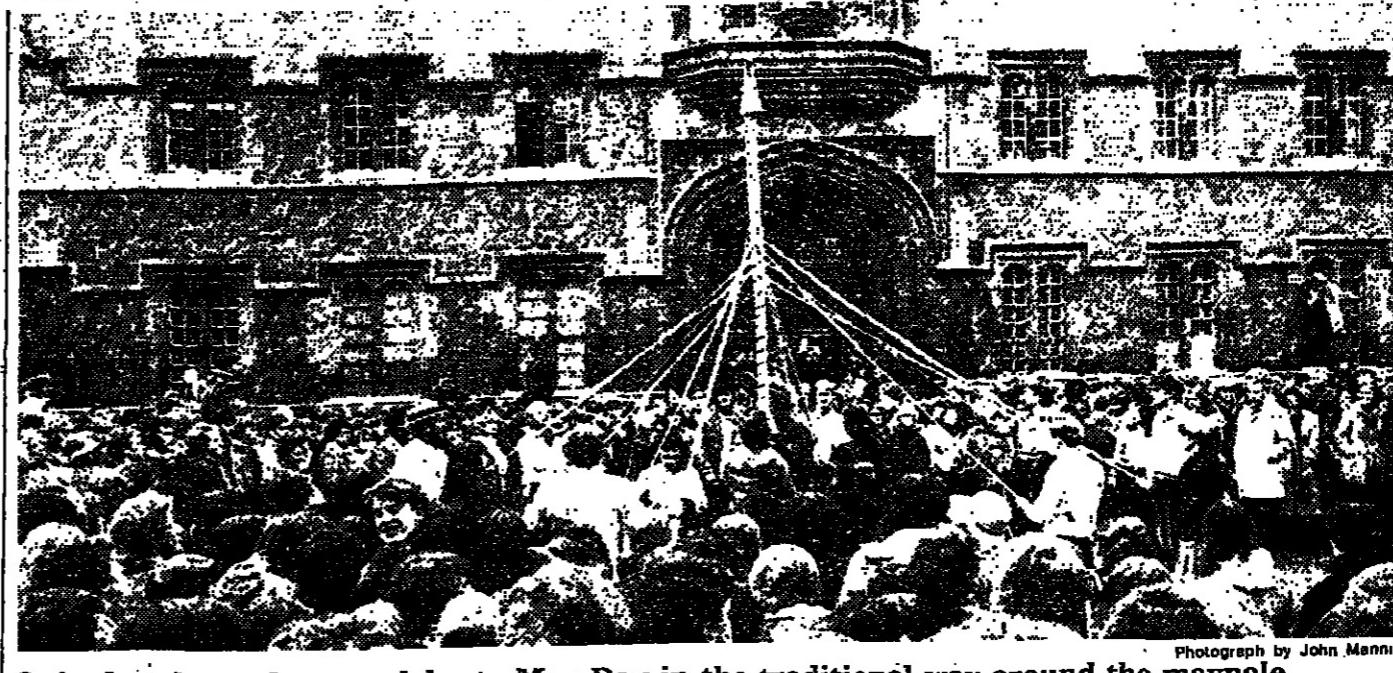
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Photograph by John Manning

Oxford undergraduates celebrate May Day in the traditional way around the maypole.

## £80 minimum is sticking point in industry seeing flight of work abroad Printing employers' solidarity is under strain

By Paul Routledge

Labour Editor  
The unpredictable disappearance of some national newspapers from many breakfast tables over the past week has served to focus attention on an industrial dispute that otherwise might have been tucked away in the labour news graveyard.

Fleet Street has been affected four times by "guerrilla" stoppages, usually involving only a few dozen key members of the National Graphical Association, which represents the Newspaper Society, representing provincial publishers, and the British Printing Industries Federation, representing 3,700 general printing firms.

Local newspapers and printing companies had been suffering disruption by the union for five weeks before the employers implemented their draconian threat of a full lockout. The union is refusing to compromise on its claim for an £80 minimum earnings guarantee and an immediate 37-hour week.

Two issues stand in the way of an early settlement: pay and the union's role as a labour exchange for the industry. The union chose 1980 as the year to go for its low pay areas and was met by equally strong determination by the employers to wrest substantial productivity concessions in return for wage rises.

The society-federation package accepted in a ballot by the

other two unions, the Society of Graphical and Allied Trades and the National Society of Operative Printers, Graphical and Media Personnel, provides for minimum earnings of £72 a week and a phasing-in of the 37-hour week over two years. It also includes clauses on flexibility of labour between all pre-press operations, eg composing, keyboarding, press telegraphy, proofing, reading, make-up and platemaking. In the press room flexibility and interchangeability between letterpress, litho, flexographic and gravure machines is proposed.

The employers want an enabling agreement on those issues that could be translated into local deals "necessary to achieve increased output".

They also seek talks on "efficient manning levels" and a joint review of entry into the industry, with reduction of the apprenticeship period from four years to three from August 1, 1981, if agreement cannot be reached.

A further sticking point is the insistence that for the lifetime of the agreement employers will be able to recruit directly from outside the industry rather than from the ranks of the National Graphical Association, if a vacancy is not filled for more than a month.

Critical though the failure to agree in this area is, it is the

cash claim that employers identify as the main bar to a settlement. The offer adds about £140m to the wages bill of an industry that is already suffering from a flight of work abroad.

To concede the claim in full, the union is demanding, would cost an estimated £60m more, and since the employers are still bargaining from the recent comment by the managing director of Secker and Warburg, the book publishers: "Your productivity is lamentable compared with that of American and most European printing works."

Your wages are too high, and since you calmly hit us with a 20 per cent increase like clockwork each year, it can only be because you feebly capitulate to the demands of your workers, regardless of the fact that they are not producing anything like 20 per cent more books."

A recent Printing Industries Sector Working Party report said, however: "Profits and wages in the United Kingdom were not high in comparison with those earned by competitors in many developed countries" and Mr Wade argues:

"If the industry cannot afford an £80 a week minimum earnings level, then quite clearly this is something wrong with the industry."

## Rugby captain is sent for trial

By Gordon Doble, Wolverhampton Rugby Club's captain, was sent for trial yesterday accused of causing grievous bodily harm to an opposing player who lost an eye.

Mr Doble, aged 30, of Pendeford Avenue, Tettenhall, West Midlands, was committed on bail for trial at Stafford Crown Court by magistrates at Wombourne, near Wolverhampton.

## Papers may be off street another week

By Our Labour Editor

Most provincial newspapers will be off the streets for another week and many printing firms at standstill after employers' decision last night to continue a national lockout.

Leaders of the British Printing Industries Federation and the Newspaper Society decided to continue the suspension of members of the craft print union, the National Graphical Association, at least until Wednesday.

The decision is likely to mean further NGA disruption of Fleet Street in the offices of national newspapers with substantial provincial publishing interests.

Members of the union have been staging "guerrilla" stoppages during the past week.

Senior negotiators of the BPIF and the NS met last night to consider the next move in the dispute that has temporarily closed papers in the provinces.

A general print employers' spokesman declined to say whether a new peace initiative was being planned. He confirmed that contact with the Advisory, Conciliation and Arbitration Service was being maintained.

The BPIF council, meeting with representatives of the Newspaper Society, heard a report on the response to the employers' call for a suspension of NGA members from last Monday. They decided to support those firms carrying out the suspension.

The two sides disagree on how many men have actually been suspended without pay for imposing sanctions in pursuit of their £80-a-week minimum earnings target. The employers insist that about 30,000 members of the union have been locked out; but the NGA claims it is nearer half that figure.

Brushing aside the threat of continuing suspension, Mr Joe Wade, general secretary of the NGA, said last night: "We are now even more convinced that we are going to win this dispute. The number of firms over the last few days asking our members to go back to work and agreeing our terms makes it clear nothing can stop us winning."

Mr Wade contested the BPIF view on suspension numbers, insisting that it was no more than 17,000, of whom 10,000 were in the provincial newspaper field. The general printing employers' decision to continue the lockout was "a wise decision", he claimed.

By new terms, 40 per cent of the commercial industry labour force was working on rates agreeable to the NGA. Printing resumed: *The Birmingham Evening Mail* resumed production yesterday after reinstating its suspended NGA employees (Arthur Osmar writes from Birmingham). "An understanding was said to have been reached over pay and means of re-starting publication."

Both sides agreed that trials would start on Tuesday between senior national officers of the NGA and the management.

The morning *Birmingham Post* will appear tomorrow. The *Sunday Mercury* will resume publication tomorrow.

## Head resigns over move to restore grammar school

By Sarah Bayliss, of The Times Educational Supplement

A decision by the Government to allow a Midlands comprehensive school to revert to a grammar school has prompted the headmaster of a comprehensive near by to decide to leave.

Mr Kenneth France, headmaster of the academically successful and popular John Willmott comprehensive, wants early retirement because he fears that his school will suffer with the creation of a grammar school two miles away at the Sutton Coldfield Girls' School.

Mr Ronald Wootton, a Conservative councillor, chairman of the governors at John Willmott school but an active supporter of the grammar school idea, has received a copy of Mr France's request for early retirement. He said the school was a first-class comprehensive

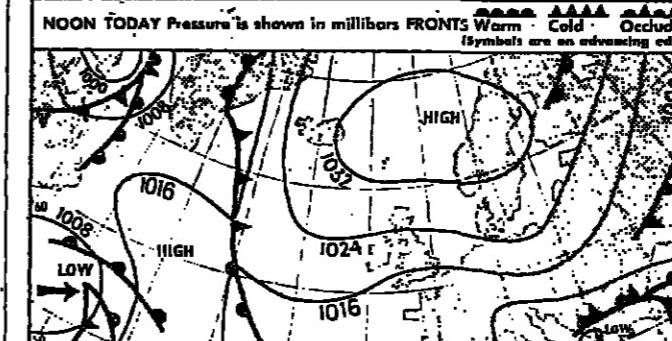
servatives in the local election.

He says the grammar versus comprehensive battle will continue in Sutton Coldfield, and he has had enough of the "political footballing".

His decision comes after an announcement last week by Mr Mark Carlisle, Secretary of State for Education, approving a request from Birmingham City Council to turn Sutton Coldfield Girls' School, comprehensive for the past five years, back into a selective grammar school.

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## Weather forecast and recordings



### Today

Sun rises: 5.31 am Sun sets: 8.26 pm Moon rises: 7.06 am Moon sets: 10.36 pm Last quarter: May 7 Lightning: 8.56 pm to 4.59 am. 7.0m 4.11 pm. 7.0m 9.23 am. 12.8m 9.38 pm. 12.9m. Dover, 12.58 am, 5.4m; 8.31 pm, 6.3m. Hull, 8.17 am, 7.1m; 8.31 pm, 7.0m. Liverpool, 8.01 pm, 8.2m. A NE airstream covers the whole of the United Kingdom and a trough of low pressure will lie along the English Channel.

Northumbria, 6 am to 10pm; London, SE, Central, N England, Midlands: Bright periods developing, showers; wind NE, moderate to fresh; max temp 13° to 15°C (55° to 59°F).

East Anglia: Dry, sunny periods developing; wind NE, fresh; max temp 12° to 13°C (54° to 59°F).

Central, S, SW England, Cheshire, Wales, S Wales: Showers, scattered, locally heavy; places; wind NE, moderate to fresh; max temp 10° to 13°C (50° to 59°F).

SW, NW England, Borders: Rain, drizzle, near some coasts, otherwise dry; wind NE, fresh; max temp 8°C (46°F).

## HOME NEWS

## Thatcher pledge of firm action against embassy terrorists

By Our Diplomatic Correspondent

In diplomatic moves designed to reduce tension in Iran over the siege at the Iranian Embassy in London, Mrs Margaret Thatcher sent a personal message to President Bani-Sadr early yesterday, while the Foreign Office kept in touch with the Foreign Minister, Mr Sadeq Qobadzeh. Mrs Thatcher's message, sent through the British Ambassador in Tehran, Sir John Graham, said: "I should like you to know of my deep personal concern about the situation in the Iranian Embassy in London."

This intrusion constitutes an act of terrorism, and an infringement of the immunity of diplomatic staff which the British Government finds totally repugnant, and is acting firmly to combat.

"We hope the incident will be resolved speedily and I assure you the safety of the lives at stake will be of paramount consideration," the Home Secretary is personally in charge of the situation and "I am taking a very close personal interest. I wish to assure you that we shall be keeping in constant touch with you and your government."

Meanwhile the Foreign Office confirmed that Mr Qobadzeh had expressed his thanks for the earlier expression of British concern, sent after the siege started.

The Foreign Office has been in touch with the Ministry of Foreign Affairs in Tehran, and with Mr Qobadzeh in Abu

Dhabi and Dubai about aspects of handling the situation.

Assurance cited: Mr William Whitelaw, the Home Secretary, was in continual contact yesterday with developments at the Iranian embassy in Knightsbridge (our Parliament Correspondent writes).

Although the situation prevented him from being in the Commons to answer the questions to the Home Office, Mr Whitelaw later made a statement to the House in which he assured MPs that contrary to reports of injuries, no one had been seriously hurt.

The terrorists, he said, had given assurance that the British hostages would not be harmed. About 20 people were being held in the embassy.

Because of the delicate nature of the negotiations that were continuing between the police and the terrorists, MPs, at the suggestion of Mr Michael Foot, Labour's former affairs spokesman, refrained from questioning the Home Secretary.

Mr Rees pointed out, however, that it might be salutary for the Iranian Government to realize that this country took seriously the need to protect those in diplomatic missions.

Mr Whitelaw said that since the incident began the building had been surrounded by the police.

They had maintained communication with the terrorists and their aim, if at all possible, was to bring the incident to a peaceful conclusion without loss of life.

## Sanctions Bill depends on Brussels meeting

By Fred Emery

Political Editor

The Government's decision on what enabling Bill is required to impose economic sanctions on Iran now depends on an European Economic Community meeting of officials in Brussels next week. Ministers disclosed yesterday. Indeed, it seems that the May 12 date, which failing release of the United States hostages—EEC heads of government have agreed to set for the joint implementation of sanctions may be more a flexible target than a deadline, in the view of some ministers.

Among them the Government believes will venture new legislation are contractual arrangements (although it is not clear to the Government whether existing contracts would be suspended); compensation; shipments, including tranship-

ments in Britain of goods for Iran; and financial affairs, including the possible freezing of Iranian assets.

After next week's Brussels meeting a further meeting of Cabinet ministers will be held to decide the terms of the legislation. The Government hopes to introduce a short enabling Bill to become effective through Order in Council in the next week. But its rapid passage would depend heavily on Opposition cooperation.

While it seems that the Government can count on the support of Mr Peter Shore, Labour's foreign affairs spokesman, the assent of the rest of the shadow Cabinet is uncertain, and Labour's left wing is bound to oppose the move. Some Conservative back-benchers also oppose economic sanctions on principle.

Scheme to grade doctors for consultancies

By Diana Goddes

Education Correspondent

A letter sent yesterday by teachers to local authorities, clarifying their intentions regarding the continuation of serious negotiations on conditions of service, could provide the means for a breakthrough on teachers' pay negotiations, which resume today.

Mr Douglas McAvoy, deputy general secretary of the National Union of Teachers and convenor of the teachers' side of the joint Council of Local Education Authorities/School Teachers' Clerical Committee, decided not to attend a recently planned meeting with local authority leaders yesterday.

He wrote instead to Mr Alan Gronow, under-secretary of the Local Authorities' Conditions of Service Advisory Board, explaining why he believed that the replies from four of the five main teachers' unions to the employers' request for an assurance as to their intentions on conditions of service did provide a reasonable, responsible and satisfactory response.

All four unions were willing to continue discussions to try to seek an agreed definition on the teachers' day and year, within which the working party on conditions of service could recommend, and where appropriate quantity, specific responsibilities", he said.

Teachers accepted that any negotiations would seek to define, as far as was practicable, the teacher's day and duties,

## No damages for boy blind for life

A boy aged five blinded for life after being given oxygen after his premature birth failed to win damages yesterday in a negligence claim against a hospital authority.

Robert, who was only about the size of a weasel at two pounds, had a log of sugar when he was born in 1975.

Mr Justice May in the High Court in London said he was not satisfied that giving the baby oxygen treatment for the first 20 hours of his life played any substantial part in his developing an eye condition which led to total blindness.

The boy would have received £7,500 damages had he won his claim against Kensington, Chelsea and Westminster Area Health Authority and Dr Hanley M. T. Coles, consultant paediatrician. They had denied acting negligently.

The boy is in the care of Westminster City Council and had sued through Mr Francis Fowler, the Director of Social Services.

The judge said that although it was contrary to good practice to place the boy in an oxygen enriched atmosphere for the first 30 hours, his condition did not develop as result of it.

He had been born after only 28 weeks' gestation, at West-

minster Hospital, and was transferred the same day to Westminster Children's Hospital where he received the treatment.

The judge said he regretted to have to hold that in being given an oxygen enriched atmosphere, even to the extent of only 30 per cent, the standard of care accorded to the baby fell below that expected of a hospital holding itself out as capable of taking care of premature babies.

He was not satisfied that keeping the boy in an oxygen enriched atmosphere for the first 36 hours played more than a minimal, if any, part in the subsequent tragedy.

Although the 36 hours covered a period when Robert was not at risk, relatively the ambient oxygen concentration was not greatly in excess of normal or as high as it was on occasions later.

Even though Roberts may have been most at risk during those 36 hours, he still remained a premature, very small and, on occasion, very unwell baby throughout the next three or four weeks.

By the end of that period the damage was complete and irreversible. The judge said he could not convict the defen-

dants of negligence "in administering additional oxygen during a second phase of Robert's hospital care when he was having recurrent breathing difficulties".

The judge said it was accepted that in all respects but one, the administration of excess oxygen, the care given by Dr Coles by doctors and nurses looking after him in the Hospital between January and October, 1975, could not have been bettered.

Few babies born as small as

Robert survived, the judge said. At the time Robert's chances of survival were about one in ten. But as a result of skilled care and attention at Westminster Children's Hospital over nine months Robert, apart from his blindness, was a healthy five-year-old.

The hospital authority and Dr Coles were awarded their costs of the action.

Dr Coles, who has retired, did not give evidence although he was in court for most of the hearing. The judge had been told he had no personal recollection of Robert's case.

"I do not think that I should draw any adverse inference from his absence from the witness box," the judge said.

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WAS

## Atmosphere by embassy varies from carnival to fear

### Police separate chanting groups

By Nicholas Timmins

The atmosphere near the Iranian Embassy at Prince's Gate, Kensington, changed yesterday from farce and near carnival to moments of frightening nationalistic fervour, when rival groups of chanting demonstrators faced each other in the warm spring sunshine while the hostages sat out the second day of their ordeal.

A policeman received a suspected broken ankle and several arrests were made when police separated two groups of pro-Khomeini Iranians. Five policemen struggled to pin down a frantic demonstrator who lashed out with hands and feet.

There were other arrests later when police eased a group of British and American hostages held in the embassy from more than 100 Iranians kept by the police in the park. The main group of about 300 in Kensington Road were pennoned between lines of police.

A banner saying "Free the Yanks" was hung from a block of flats and a group of about 100 Britons and Americans, led by students from Imperial College, sang Rule Britannia and the British and American national anthems, and shouted: "Go home you bums". The Iranians in the park, amid a mullah appeared to lead the chanting by the Iranians in the park and those in the road.

A false report on the radio saying that the British Embassy in Iran had been occupied stimulated the Iranians into cheering and dancing.

At one point some of the British crowd knelt and prayed in mock Muslim style, the Iranians and posters proclaiming "Want to die for Khomeini? then drop dead" and "Stop bloodshed in Iraq" were waved.

An American youth from New York who told the Iranians that he had nothing against them, was lifted to their shoulders while they chanted "Long live the American nation".

Similarities between wartime hostilities and the taking of hostages.

Professor J. Bastians, chairman of the investigating team, carried out research into the interregnum of IRA suspects in Northern Ireland, which later led to a complaint against Britain or the European Commission of Human Rights.

The short-term effects of being held hostage, those that show up within four weeks, were insomnia, tenseness, phobias, with women showing stronger effects than men.

Long-term effects, found among two thirds of those held hostage, were irritability, vague physical complaints, a strong preoccupation with the fact of having been a hostage and feelings of being misunderstood.

Again, women showed stronger symptoms than men. Understandably, the length of captivity was reflected in the strength of the effects.

A distinction was drawn between positive and negative effects, for more than half the women showed negative after-effects tended to be weaker among older and more highly educated people.

The process of adjustment, release, was also examined, and the report says that "positive thinking", diversions, belief in God and especially contact with fellow hostages were important.

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Mr Seid Said, a student, said when asked what the point of the demonstration was: "We defeated the Shah in the same way—just with chanting.

He said the gunmen were not Iranians but men backed by the Americans and speaking with an accent which indicated they were educated in Lebanon.

To compound the irony of the Kensington scene, a Japanese Buddhist monk dressed in flowing robes, appeared briefly beating a dilemma drum. "I am here to pray for peace and prevent a possible disaster", he said, reciting Buddhist mantras.

Many were wearing white smocks bearing slogans written in red paint stating: "We give our last drop of blood for Ayatollah Khomeini", and "Long live Khomeini".

They kept up an almost continuous chant demanding the release of the hostages and expressing their support for Iranian religious leader. "We are all your soldiers Khomeini, ready for your orders", and "We will defeat Carter, we'll defeat the torturers".

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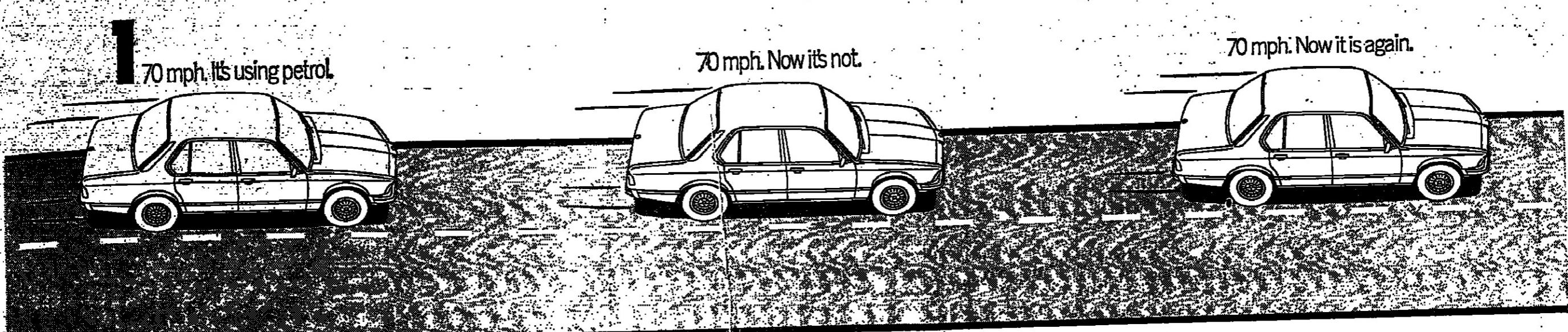
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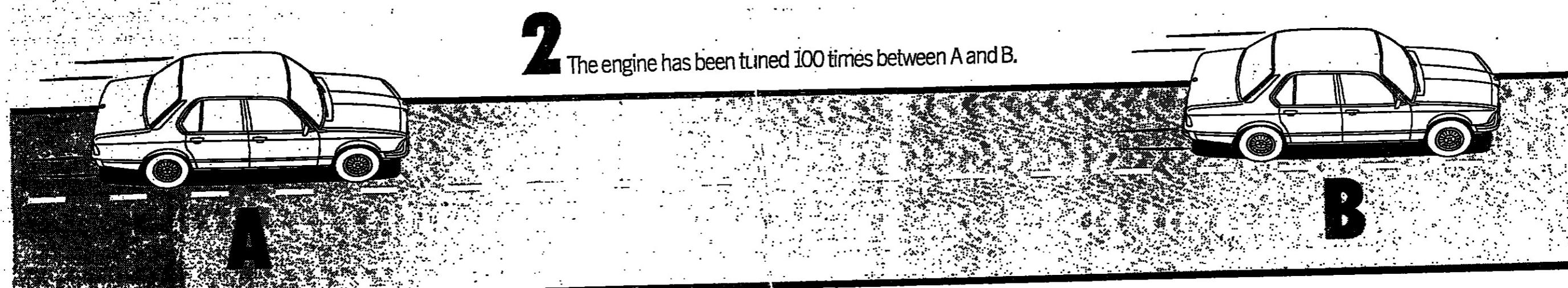
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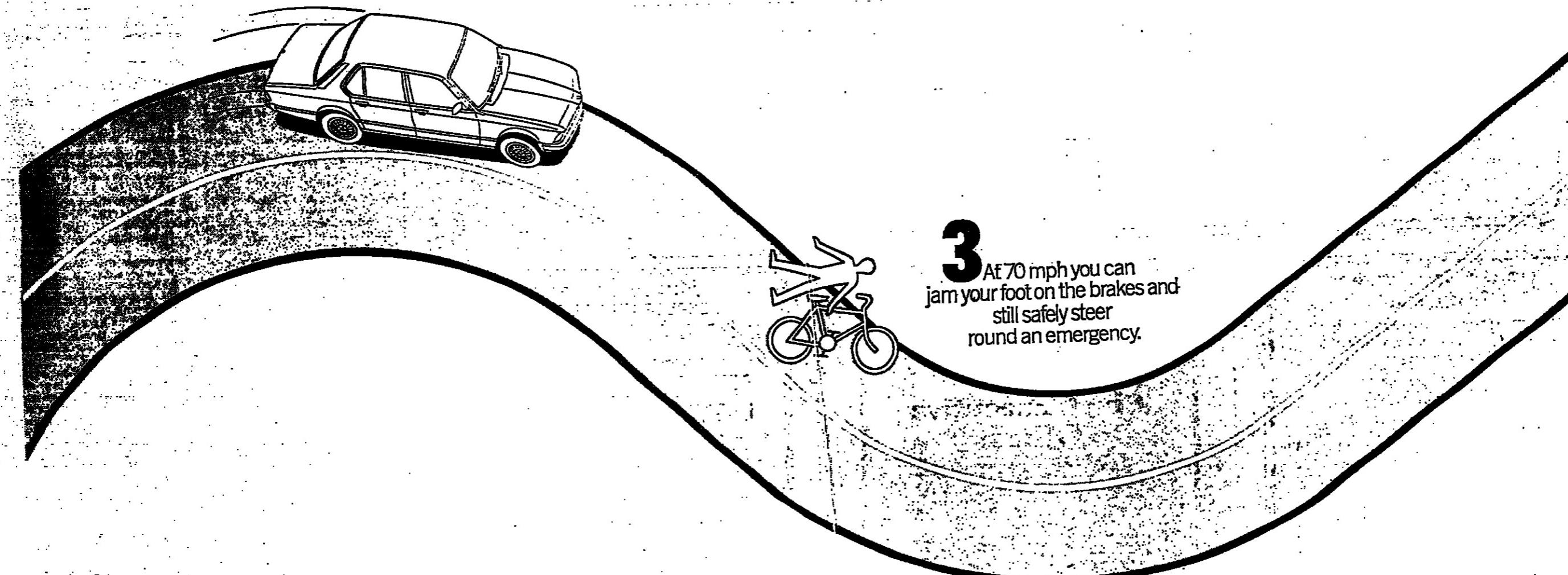




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## HOME NEWS

**London Transport may introduce 'light railway' to cut costs**

By Michael Bennet  
London Transport had a "frustrating" year in 1979, with deteriorating finances and services, though with some improvements towards the end, and suffered "largely unavoidable criticisms which had a de-moralising effect on our staff". Mr. Ralph Bennett, the chairman, said in his annual report.

It appears that in an effort to reduce costs the enterprise is looking at the idea of a "light railway", possibly a fully automated and unmanned, to link the City with Thamesmead instead of a full-scale Underground line which at £300m seems unlikely to secure the necessary finance.

There was a record loss of £31.4m, compared with the previous highest loss of £10m in 1974 and £1.9m in 1978. A main factor in the loss was wage increases totalling £45m, double the amount budgeted.

Expenditure rose by £80m to £520m, but revenue rose only £50m to £479m in spite of fare rises in June and September totalling more than 20 per cent.

"Greater" London Council grants rose from £94m to £111m on revenue account, plus £28m (nearly double the 1978 level) on capital investment.

Bus mileage was down 4.1 per cent to 165 million (or 1.4 million miles down on 1978), passenger miles were down 4.6 per cent to 2,690 million. As a result buses lost £54m, with traffic congestion, shortage of serviceable vehicles, and shortage of staff cited as the main reasons.

Underground mileage was down one million miles to 29 million, and passenger-miles were down about 1 per cent to 27.74 million, with staff shortages and unreliable vehicles

**Farmers win curb on cheap imports of US turkeys**

By Our Agricultural Correspondent

Britain severely reduced imports of turkey from the United States yesterday. The Government acted after hearing from farmers that imports threatened the survival of the British industry.

Mr Peter Walker, Minister of Agriculture, Fisheries and Food, the number of American factories licensed to send turkeys to Britain from 24 to three. His officials said that the other 21 had failed to meet a British deadline for making their plants match EEC hygiene standards.

**Prison riot fear unless numbers are reduced**

By Frances Gibb  
From Michael Hornsby Brussels, May 1

A riot on the scale of that at Attica Prison in New York State, in 1971, when 43 people died, is likely in the next two years unless Parliament legislates to tackle prison overcrowding, the Howard League for Penal Reform said yesterday.

Mr Louis Blou-Cooper, QC, the chairman, said in London that the Home Secretary's statement on the prison service was correct in its analysis that overcrowding was the root of the matter, but totally inadequate in its prescription.

Mr Whitelaw had said that legislation would be "unpalatable" to the judiciary. "But it is not enough to exhort the judiciary [to cut sentences]; it can only be done by grasping the navel of a review by Parliament of the maximum penalty system," he said.

The league also called for a prison ombudsman similar to that for the National Health Service and Canada. The chief inspector of prisons proposed by the Home Secretary would be limited in his powers, it said.

There were immediate measures that would ease overcrowding in the short-term, he said. Sentences, except those for life, could be cut by half for all prisoners. Alternatively there could be an amnesty for some prisoners.

Advocating a reduction in the prison population by 10,000 in the next 10 months, Mr Blou-Cooper said it was not enough to propose removing prison sentences for lesser offences. The whole maximum sentencing system needed revision.

"Evidence has shown that the deterrent effect of a sentence is no different if it is 18 months, 12 months or even nine months."

Mr Whitelaw had proposed measures for dealing with drunkenness offences, Mr Blou-Cooper said. But he had said nothing about freeing maintenance and fine defaulters, who could do community service instead, or making certain sexual offences, such as running a brothel, non-imprisonable.

Immediate action was urged not only by "so-called libertarians like us", Mr Blou-Cooper said, "but also" Conservative MPs, such as Miss Janet Fookes, (Plymouth, Drake), who chaired an expenditure committee which produced a report, *Reducing Pressure on the Prison System*.

In a stinging attack on Mr Merlyn Rees, the former Labour Home Secretary, Mr Blou-Cooper said that Mr Rees' claim, that with a larger majority he would have put these measures through, was erroneous.

**WEST EUROPE****Resumption of butter sales to Russia will cost EEC £22m**

From Michael Hornsby Brussels, May 1

The EEC has agreed to sell 20,900 tonnes of heavily-subsidized surplus butter from its stockpile to the Soviet Union at an effective total cost to the Community taxpayer of more than £22m.

EEC governments take the view that, while they should refrain from increasing sales to the Soviet Union to fill gaps left in Russian supplies by American sanctions, they are under no obligation to reduce exports below normal levels.

This is the first bulk sale of surplus butter to the Russians since the EEC tightened its export rules earlier in the year after the Soviet intervention in Afghanistan, and it is certain to provoke controversy.

Mr Michael Butler, Britain's permanent representative in Brussels, was instructed to raise the matter with his EEC colleagues at a meeting here this week, and Britain may take it up again at a foreign ministers' meeting next week.

The butter will be sold at a price of £670 a tonne, which compares with the price of £1,738 a tonne paid out of EEC funds to the Community dairy farmers who produced it. The butter is thus being sold at an effective rate of subsidy of £1,068 a tonne.

Put in another way, the Russians will be getting the butter from the EEC at a price of about 30p a pound, compared with the price of 80 to 84p a pound which EEC butter fetches in shops in Britain.

The decision to sell the butter at this price was taken last Tuesday by an overwhelming majority of the EEC's dairy management committee, on which officials from both the European Commission and national governments sit.

Only Britain voted against the sale as such. There is likely to be an out-

**Guns may be used in next riots, Dutch police say**

From Robert Schul Amsterdam, May 1

Dutch police say that they may have to use firearms in any further confrontations with demonstrators similar to the one in Amsterdam yesterday which marred the investiture of Queen Beatrix.

One police official said he saw "hundreds" of cases yesterday in which the use of firearms would have been warranted under standing orders governing their use.

The police believe that they had insufficient means at their disposal to control the violence yesterday and are disturbed by the large number of casualties.

They used water cannons and teargas against the rioters but despite almost continuous baton charges the riots lasted well into the night. The rioters mainly threw paving stones torn from the streets. Forty people were arrested all on charges of assault and 150 people injured, more than 100 of them police.

Most European butter sold in Britain costs more than 40p.

The cheapest is 36p for a 250 grammme packet. The price of all EEC butter in Britain is cut by 7p a packet through an EEC subsidy.

Mr Laurence Gandar, the High Commissioner, said that a chance to sell more butter in Britain would be "very attractive" to farmers and exporters in New Zealand.

New Zealand supplies almost half of the butter sold in Britain under an EEC protocol which will cease at the end of this year.

**Opposition angered by Poniatowski panel**

From Charles Hargrove Paris, May 1

The special commission of 15 members of the National Assembly which will examine the Socialist resolution to impeach M. Michel Poniatowski, the former Minister of the Interior, before the High Court of Justice, seems determined to make haste slowly in this affair. It elected its steering committee and immediately adjourned to

both a judge and party to the case.

M. André Chevallier, the member of the Paris Court of Appeal entrusted with the supplementary investigation into the Broglie affair last week, heard M. Guy Simone, the former police inspector, awaiting trial on the charge of having organized the murder.

During the two-and-a-half years' inquiry investigating judges, M. Simone had repeatedly stated that the police had been informed of plans to murder the Prince. According to the two police reports published by *Le Canard Enchaîné* last month which prompted the reopening of the case, the police knew of the threat at least three months before the murder. No one has so far challenged the authenticity of the two documents.

M. Christian Bonnet, the Minister of the Interior, complimented the police for their restraint.

Today the centre of Amsterdam, with its torn-up pavements and wreckage from plundered shops, looked more like the aftermath of a revolution than of the instillation of a new constitutional model.

Commentators were quick to point out, however, that the riots had nothing to do with sentiments against the monarchy. There was near general agreement that the agitation had been the work of young hooligans out to cause trouble.

"The determination of the commission to shelve the whole affair is manifest", the three Socialist representatives declared.

The Communists accused the majority of organizing a cover-up. To thwart such manoeuvres they would fight for the complete publicity of the meetings, as "the only guarantee it can achieve something".

"I continue to have confidence in him", the minister said. All the senior officials who had been involved in the Broglie case at the time when M. Poniatowski was in office were still at their jobs. "They have given me precise evidence which I have no reason whatever to question", M. Bonnet added.

**Germans reassured by a minor agreement on transport links between East and West****Moscow clearly anxious for business-as-usual in Europe**

From Patricia Clough Bonn, May 1

A piece of paper was signed in East Berlin yesterday bringing a degree of reassurance to the United States and Western Europe.

In terms of the world crises, the document is a minor one: an agreement between East and West Germany to improve road, rail and canal links between Berlin and the West.

But it could not have been included without the approval of Moscow. It comes, therefore, as another sign that despite the tension elsewhere the Soviet Union has made it clear that it means business as usual in Europe.

Thus Mr Andrei Gromyko, the Soviet Foreign Minister, visited Paris last week; the invitation to Moscow for Herr Helmut Schmidt, the West German Chancellor was renewed and the green light given for contacts between senior East European officials and the West.

In the past weeks, Germans have noted Moscow has been

careful to differentiate in its attitudes towards the United States and Western Europe.

After the initial freeze on contacts with the West as it adjusted to the apparently unexpected effect of its invasion of Afghanistan, the Soviet Union has made it clear that it means business as usual in Europe.

The only discordant note has been a particularly virulent attack on West German "military ambitions" by the Soviet news agency Novosti. The Germans are debating whether this was a technical slip-up at Novosti or a subtle attempt to test their reactions; in any case it was certainly not an official move.

So there is cautious hope here that tension will not be

allowed to spill over into

the United States, that the Soviet Union is also trying to drive a wedge between Washington and its European allies.

East European visitors, who are concerned about the present danger to Germans as the West Germans assure them that this is not so.

But there are few illusions here that Moscow has had any reason to depart from its purpose of pursuing its ideological ends without necessarily risking the danger of war.

For this reason, among others, the West German Government uses any opportunity to reaffirm its solidarity and reliability as an ally of the United States.

The reopening of contacts provides the Russians with an opportunity to put their point of view to Western European countries, and thus, indirectly, to Washington. Soviet officials complain to the Germans that there is no one in Washington at the moment to whom they can talk.

Herr Schmidt has repeatedly emphasized the need to restart a dialogue between the two big powers and his forthcoming visit to Moscow might help.

At the same time, there is

strong suspicion here, and in the United States, that the Soviet Union is also trying to drive a wedge between Washington and its European allies.

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## OVERSEAS

## Mr Kennedy cites his Senate record to court minority group votes in Texas primary

From David Cross

Houston, May 1

With the American economy entering a recession, Senator Edward Kennedy is concentrating his final efforts to secure the Democratic presidential nomination on the votes of those most affected by rising prices and unemployment.

Here in Texas, where primaries will be held on Saturday, he has aimed his limited resources at courting the two minority groups—Latin Americans and blacks—who comprise almost a third of the state's 12.5 million population. "Quite frankly," he told a radio interviewer this week in Houston, "I think I deserve their support."

He said that not only had he long fought in the Senate for minority rights but he had also been a strong supporter of bilingual education—a necessity here.

Later, at a rally outside the city hall, he concentrated his attack on President Carter for reforms in educational grants and health programmes for the elderly. His audience listened politely but on the occasion jacked up the enthusiasm and characterized earlier meetings of the predominantly Mexican-American cities of San Antonio and Corpus Christi, where he was mobbed by enthusiastic supporters.

President Kennedy's main problem has been President Carter's success in lining up the support of most minority leaders in the state. With the assistance of such powerful Texas Democrats

as Mr Robert Strauss, his campaign manager, and Mr John White, chairman of the Democratic National Committee, Mr Carter has used the powers of his office to ingratiate himself with Mexican-Americans, in particular.

On the day that Senator Kennedy was campaigning this week, for example, Mr Julian Nava, a Californian of Mexican extraction, arrived in Mexico City to take up his new post as United States Ambassador. Television coverage showing him hugging and kissing relatives from Zacatecas, the Mexican state from which his father emigrated to California, were well received by the Hispanic community in Texas.

President Carter also managed to upset the Senator by visiting Texas this week to talk to the injured survivors of last week's failed rescue mission to Iran. The Senator was particularly irked because he had arranged to be in Mexico City that day for talks with President Jose Lopez Portillo of Mexico, the meeting having been called on the occasion of the enthusiastic and characterized earlier meetings of the predominantly Mexican-American cities of San Antonio and Corpus Christi, where he was mobbed by enthusiastic supporters.

The latest public opinion poll shows Mr Carter leading Senator Kennedy by 69 per cent to 22 per cent among

## South Africa transferring more powers to Namibia

From Nicholas Ashford

Johannesburg, May 1

Mr Piter Botha, the Prime Minister, today made clear South Africa's intention to go ahead with plans to grant some executive powers to a new body to be established by the Namibian (South-West Africa) National Assembly, which has only limited legislative powers.

Mr Botha, who is also Minister of Defence, said in Parliament today that South Africa was prepared to hand over a large slice of the Administration of Namibia, including elements of the security forces, to a body that could govern the territory.

He said a body had to be set up in Windhoek which was capable of governing the country. Such an organization would play a prominent role in the defence of Namibia, a function which the military could not be responsible for on its own. He said South Africa was prepared to transfer the Namibian forces which had been trained by South Africa and place them under the authority of the new governing body.

All executive powers in Namibia are in the hands of Professor Gerrit Viljoen, the territory's Administrator-General, whose role is similar to that played by Lord Soames during the transitional period in Zimbabwe. The National

Assembly, which comprises 50 members, most of whom belong to the multi-ethnic Democratic Turnhalle Alliance, plays a largely advisory role.

Mr Botha's announcement today will be seen at the United Nations as a further indication that South Africa is planning its own style of "UDI" in Namibia rather than go along with the United Nations settlement plan which has been gathering dust for almost two years. However, South Africa has consistently denied that it was contemplating a UDI.

Later this month South Africa is expected to give its reply to a United Nations proposal to establish a demilitarized zone along the border between Namibia and Angola, an area where an increasingly bloody bush war is taking place between guerrillas belonging to the South-West African People's Organization (Swapo) and the South African Defence Force.

Mr Botha also announced today that South Africa has developed its own artillery missile system which, he said, is designed to counter Soviet rocket systems. It is understood the South African weapon is a 127mm multiple rocket-launcher system similar to the Soviet "Stalin's organ". During the South African invasion of Angola in 1975, it was found that the South African forces had no weapon to match the "Stalin's organ" being used by the Cuban troops.

## Eskimos preparing to fight for their rights in Quebec

From Anne Penketh

Montreal, May 1

Quebec's Inuit—Eskimos—population will be holding its own referendum on May 14, one week before the Quebec government's referendum on sovereignty association, which the Inuit call "a matter for immigrants."

The Makivik Corporation, formed to represent the interests of the Inuit, will ask them for authority to negotiate constitutional rights with both the federal and provincial governments.

Mr Charlie Watt, Makivik's president, explained that while the Inuit wished to keep their separate identity, they did not want to be represented by the government of Quebec. We want to represent ourselves. We are Inuit but we are also Canadian. The people here don't want to separate."

Quebec's Indian population is equally concerned by the implications of the referendum on May 20 and consequently a majority of the 35,000 Indians

will not be voting. Like the Inuit, the Indians feel that the referendum is a matter for Quebecers.

Mr Andrew Delisle, the president of the Federation of Indians of Quebec—representing 10,000 Huron, Mohawk and Micmac Indians—is adamant that his people should remain separate.

"Our nation was never abolished. We belong to the Mohawk nation and we can't belong to Canada and the Mohawks. That's how nationalistic we are."

At present the Indians enjoy a special status in Canada. They pay no taxes and receive an allowance from the federal Government as long as they do not stray from their reservations. There is a fear that this special status might be threatened if they voted in the referendum.

It is clear that, whatever the outcome of the referendum, it will make very little difference to the native people of Quebec. Discussions of their rights and demands will continue unabated.

## Increasing American use of island base confirmed

By George Clark

Political Correspondent

Mrs Thatcher confirmed in a letter to three Labour MPs yesterday that she had been warned of the Middle East crisis the British island base of Diego Garcia in the Indian Ocean had been increasingly used as a staging base for American air and naval forces.

She was replying to a request for information sent on Tuesday by Eric Heffer, MP for Liverpool Walton, Miss Joan Lester, MP for Eton and Slough, who are members of the party's national executive, and Mr Ian Dalzell, MP for West Lothian.

Ms Thatcher replied: "Since the crisis began to worsen over five months ago, the United States considerably reinforced its military presence in the Indian Ocean and Arabian Sea.

As a consequence, there has, in this period, been a very large number of movements of United States ships and aircraft of many

Texas Democrats. The survey was, however, conducted before the Iran rescue mission and Senator Kennedy's final push for votes and Mr Carter's margin of victory could be considerably slimmer.

That was the theme that Mrs Rosalynn Carter pressed when she visited Houston yesterday to campaign for her husband. At a press conference she predicted, however, that he would be returned to the White House for a second term because the "hard and often unpopular decisions he has had to make will be successful in the long run".

Predictions of the outcome of the Democratic primary were, however, predictably difficult because of its complexity. First, both the Democratic and Republican primaries are open, which means that the electorate can choose at the last minute whether to vote for a Democratic or Republican candidate.

Second, the Democratic vote is in two stages. Texans who want to vote for President Carter or Senator Kennedy must go to the polls twice, once in the day to cast their votes in a non-binding preference contest, and again the same evening, to vote for the 157 delegates who will represent the state at the Democratic national convention.

The media will concentrate on the "beauty contest" in assessing which candidate has won but finally it will be the delegate contest that will have most significance although the full results of that contest will not be known until next week.

## Congressional friends are pinning their hopes on economic recovery

## President Carter is about to reach the nadir of his fortunes with his foreign policy in ruins

From Patrick Brogan

Washington, May 1

If the hostages had been rescued, the Iranians would have promptly arrested all Americans in Iran, including Mr Zbigniew Brzezinski, his National Security Adviser, to the hostage instead. The Sani-Sadr Government might not have survived, and whatever its insufficiencies it is clearly preferable from a Western point of view to a government headed by Muslim fanatics like those who showed off fragments of dismembered American bodies on television on Sunday.

It is almost a throw-away line in a long article. Mr Carter is about to reach the nadir of his fortunes. He will scrap home to the Democratic convention in August, bloodied and considerably bowed, by a bare majority of the delegates, his foreign policy in ruins and, in all probability, the hostage still in Iran.

He will be in a far worse state than Gerald Ford was in in 1976. Mr Ford staged a remarkable comeback, rose sharply in the popularity polls and nearly won the election. But it is hard to pre-see because, after all, Mr Ford lost.

Mr Carter's best hope for recovery was the rescue of the hostages. It would be unjust to suggest, though there are plenty of people around who do so, that he has not attempted to save the President and the morale of State, or the Democratic national convention.

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The operative word there is "success". Mr Cyrus Vance is reported to have feared that



Mr. "Tip" O'Neill : Rallying round the President.

He may hope that Mr Reagan will win the presidency in the first place.

He may hope that Mr Reagan will do or say something to bring them into the world. The prestige of peaceful co-existence of states with different social systems was vividly reflected in Soviet-Finnish relations.

The Russians have particularly appreciated Finland's refusal this year openly to condemn Soviet intervention in Afghanistan.

President Kekkonen received his prize together with a French and a Venezuelan writer, an Egyptian opponent of President Sadat, and Mr Le Duan, the general secretary of the Vietnamese Communist Party.

## Lenin Prize awarded to President Kekkonen

From Michael Sinyon

Moscow, May 1

President Urho Kekkonen of Finland has been awarded the International Lenin Peace Prize, the highest Soviet decoration for foreigners, it was announced in Moscow today.

A telegram of congratulations from President Brezhnev and Mr Kosygin, the Prime Minister, said his activity over many years in broadening understanding and cooperation among nations and in consolidating peace and international security was highly valued in the Soviet Union.

The telegram cited in particular the role Finland and its president, who is 79, played in organizing the Helsinki Conference on Security and Cooperation in Europe, and developing détente on the Continent.

The Soviet leaders said: "Paasikivi-Kekkonen line, advocating strong friendship between Finland and the Soviet Union enjoyed well-deserved prestige in the world. The policy of peaceful co-existence of states with different social systems was vividly reflected in Soviet-Finnish relations.

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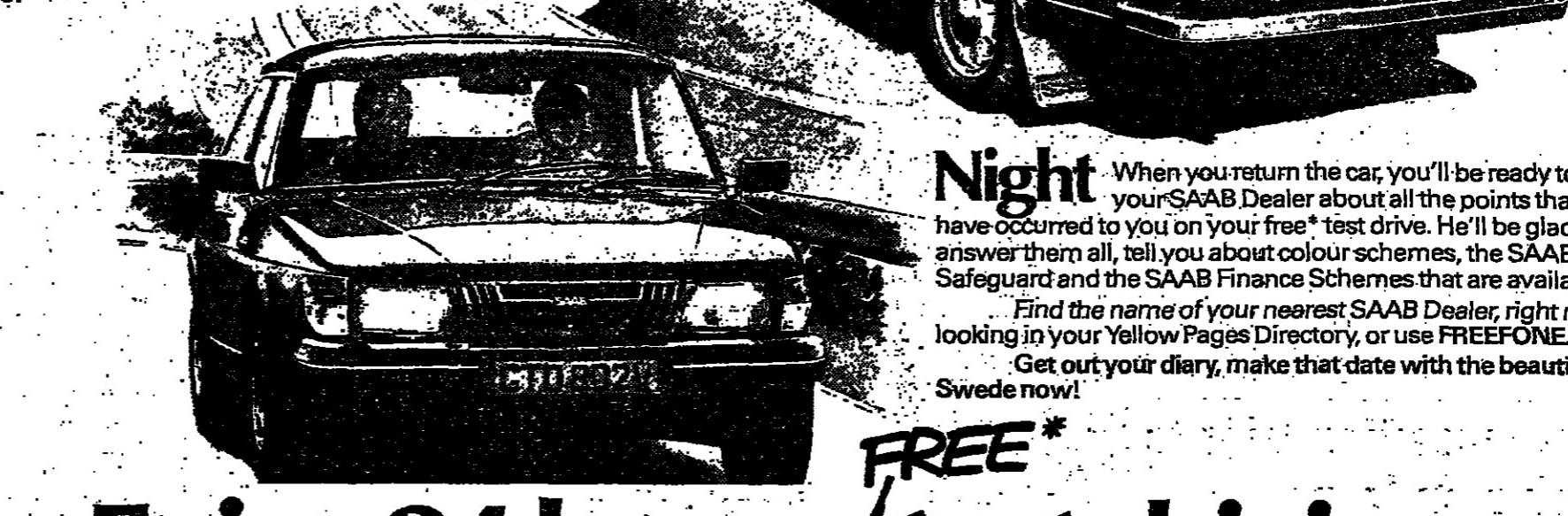
## Make a date with a Swede.

Indulge yourself in a FREE\* test drive in Sweden's most beautiful car—the Saab 900GLS



**Noon** Organise your time to include some motorway driving, perhaps for a lengthy lunch some distance away. See how quiet the SAAB 900 GLS is at speed, how positive, light and responsive the steering and experience the secure feeling of safety at all times. Note, too, how little fuel the SAAB consumes at cruising speeds.

In the evening, why not take your wife out to see some friends and show off the SAAB 900! As well as collecting admiring looks, you'll need to be prepared to open the bonnet, demonstrate the ease with which the rear seat folds down, show the 6 ft. of estate car space, the headlamp wash/wipers, the self repairing bumpers. By this time, you might well have to admit you're determined to buy your own SAAB after such a memorable 24 hours!



**Night** When you return the car, you'll be ready to ask your SAAB Dealer about all the points that may have occurred to you on your free\* test drive. He'll be glad to answer them all, tell you about colour schemes, the SAAB Safeguard and the SAAB Finance Schemes that are available.

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It won't cost you anything.

\* This test drive offer is subject to compliance with certain insurance conditions.

## FOREIGN REPORT

Jamaica on the brink

## Mr Manley stays cool in spite of economic crisis

Kingston, May 1

Mr Michael Manley, the Prime Minister of Jamaica, shares with his country a resilience which both need in abundance if they are to stay afloat. Jamaicans have, for the most part, managed to keep surprisingly philosophical amid severe food shortages, inflation and unemployment. The difficulties have even given rise to a clutch of plays, songs and satirical reviews which mock them.

Equally, Mr Manley, still not showing his 55 years, remains collected and confident in the face of the deepening political and economic dangers threatening him and Jamaica. He still believes, against the evidence of the opinion polls, that he can lead his People's National Party to victory at the election due in late summer.

"It will be a tough struggle", he conceded in an interview, "but we can win it with hard work, and if we explain to the people how to distinguish between those problems that you can blame the Government for and those which are a result of developments on the international scene".

He called the election after Jamaica's latest borrowing arrangement with the International Monetary Fund was cancelled owing to failure to pass one of the periodic tests.

"The country needs to argue over the question of the basic economic policy and take a decision", he said.

The decision which Mr Manley and his Cabinet took soon after calling the election was to break off negotiations for a new IMF arrangement. The terms the Fund was seeking to impose would have meant cuts in social services and the dismissal of about 10,000 government workers.

His experience with the IMF has left him questioning whether its operating methods make it a suitable instrument for helping developing countries.

"I don't think we would do again," he said: "The IMF's prescription for an economy that is out of balance is really

predicated upon the experience and the possibilities of developed economies."

"They try to impose in a short period of time a form of economic medicine really designed for a type of economy markedly different from a Third World economy. It is based on the assumption that you have a fully developed productive capacity already in place."

The medicine is to introduce inflation to control internal demand and to devalue the currency to make exports competitive. "This involves a sudden sharp drop in the standard of living but in a year or so everything is fine."

Jamaica, while suffering the bad effects of this medicine, did not have the productive capacity to take advantage of export opportunities. The importation of new productive capacity would have been impossibly expensive just because of the enforced devaluation.

Moreover, developed countries obliged to take such a course have social welfare systems which can alleviate the inevitable consequent hardship.

"You can't look back at any IMF programme in a developing country which you can say has been a success," Mr Manley said.

The medicine can't get the patient better in a year or so... in other words, the economy isn't powerful enough to respond to the carrot and stick of the IMF within a foreseeable period of time, and meanwhile you have put the people through a heavy social catastrophe and acute suffering.

"The IMF will be a source of complete economic disaster in the Third World unless it has a look at it itself."

A further problem is the IMF rule that limits the amount of foreign exchange lent to countries in trouble. If Jamaica could have had \$150m (£70m) at the beginning of the agreement to buy fertilizers, tractors, spare parts and raw materials needed by its agricultural industry

the programme could have achieved a flying start.

As it was, they could draw only \$50m and had to try to raise extra from commercial banks, which proved difficult.

"The commercial banking system is not an umbrella for bad weather," Mr Manley said.

"I prefer to call it a parasol for the good weather."

"If you're like Mexico and strike oil, everybody wants to take your money. If we had struck oil at any time during the second terrible IMF programme, we would have got all the loans we needed."

His final objection to the IMF is their practice of cancelling foreign exchange facilities as soon as one test is failed. "It is an outrageous concept," he said. "As soon as you halt the drawing you send the economy into a tail-spin. It is an act of almost calculated brutality."

Mr Manley is not sure whether the fact that Jamaica has embraced a socialist (even if only moderately so)orth of development led the IMF to do this. "It is an example to others. In any event, he would like to see a new institution formed to provide Third World countries with the foreign exchange they need."

The Opposition, Mr Edward Seaga's Jamaica Labour Party, is convinced that the advocacy of socialism has deterred many companies and governments from investing in Jamaica. This view was strengthened by a speech last week from the United States Ambassador in Guyana, who said that countries which did not welcome private enterprise could not expect as much help from the United States as those which did.

Mr Manley was surprised by that speech. "It is not for me to tell another country what to do," he said. "But I can only say I think it is shortsighted..."

"The test should be whether a society is democratic, whether it responds to the wishes of its people and whether it is trying to represent the interests of the people."

"Definitely."

Michael Leapman

"Any policy that makes the

kind of test that separates Pinochet from a Mexico, a Jamaica, an India, a Venezuela, a Barbados—that favours a South Africa over these countries—if that is how you make the test it is difficult to understand the thinking behind that process."

Mr Manley has no intention of modifying his commitment to the Third World and the new international economic order (NIEO) to appease potential investors. "There is no hope for the Third World in the long run if we don't make the changes we struggle for in the NIEO—and we are supported in this by the Brandt Commission."

He is encouraged by the fact that Mr. Edward Heath, a member of the Brandt Commission, whom he calls "the finest kind of Conservative", can, when out of office, look at the issue dispassionately and subscribe to a report which supports much of what Mr Manley and other Third World leaders have been advocating for years.

"It shows that we are not just a bunch of people spouting oratory and rhetoric", he said. Though he hopes that his party will win the election, he is willing to discuss the prospect of defeat and what will happen to him afterwards. "I would try to discover the party's genuine feelings," he said. "I would not try to hold on to power if they did not want it."

His magnetism makes him a potent electoral asset and it is unlikely that he would be asked to step down. If he were, I asked, would he be available for an international post, where he could pursue his campaign for the NIEO?

"I would be surprised if the struggle could be assisted much from an international position," he said. "It has to be worked for by individual nations."

"And would a change in the rules of the IMF be a part of the NIEO?"

"Definitely."

Michael Leapman

"Any policy that makes the

## Nepal referendum to decide country's future system of government

The people of the Hindu Himalayan kingdom of Nepal have for the past 19 years had no choice but to submit their government to an absolute monarch after he took away a parliamentary system, which had only been on trial for 18 months.

In its place the country's village headmen—95 per cent of the 14 million population is still rural—were allowed to choose a national council to assist the King, whom the people were taught to venerate not only as their ruler, but as the reincarnation of the Hindu god Vishnu.

Today King Birendra is asking the people to vote in a referendum whether they want to make a break, opting for a Western parliamentary system based on a multiplicity of political parties or to keep the pyramidal national council system, the Panchayat.

Fewer than 1,000 dignitaries participated, voting indirectly under the old system: more than seven million Nepalese aged over 21 can have their say today.

Whatever the outcome of the vote, and the politicians' and courtiers' manipulations after the verdict, it is obvious a process of change has begun in one of the world's last feudal monarchies.

King Birendra has naturally sought to leave his options open, already promising those who say "yes" to the Panchayat system that it will be reformed, but his decision to consult the people may have lit a time fuse under the monarchy.

The headmaster of a village school refused to say a word

about the referendum; the authorities had instructed teachers not to seek to influence the voters. But a younger teacher said: "Under democracy the people will have more power, and if there is still corruption, power to throw the rulers out".

An American peace corps volunteer helping in the village school told men as I walked back to the road afterwards: "You did not ask them about the third option, the Chinese model. When the teachers get together at the end of the day in the tea shop there's a lot of talk about that."

China is one of Nepal's two big neighbours and pro-Peking communists are among the main political forces active "underground" because the King's referendum has not ended the ban on all political parties.

The bill people, as they are known, may, however, prefer the Panchayat system, commanded by the revered figure of the King, even though it has done little enough for them, to a plethora of hungry Asian politicians.

The villagers, however remote from the politically aware urban centres, obviously know of the corruption of officials. And the King's many visits up country have never really taken him close to the police shooting.

But during the referendum campaign there have been perks for everyone. Villagers suddenly learnt they might cut timber that was forbidden before to prevent Nepal's eventual total loss of a main asset. Or a post office was opened or a road started—the rural

equivalents of a flurry of import licences.

It was Nepal's students who led last year's disturbances which brought on the referendum. The students have been "indisciplined" as much by a system that has failed to serve the longer term national interest as by Peking or Moscow propaganda or funding. Like other educated people, they have seen international aid, now about 60 per cent of Nepal's budget, being used overwhelmingly to benefit the previously privileged.

Mrs Gandhi, however, has secretly sent Mr Yashpal Kapoor, her political factotum, to reassure King Birendra that India is supporting him. Mr Koirala blundered by over-identifying himself with the previous Janata Government.

In the town of Pokhara pre-poll tension has been high, with one serious clash between Mr Koirala's supporters and Mr Singh's supporters, and local "yellow" who were demonstrating for the old system. One person was killed and four seriously injured in police shooting.

The King's referendum after not consulting the people for almost 20 years is likely to cause further violence after the poll result is announced. How the King, who has been identified with the Panchayat system for years and paraded as its "meathead" by Mr S. B. Thapa, the Prime Minister, can control that violence will be decisive for his own and Nepal's future.

Richard Wigg

## Peasants find one high-yield crop

## Illicit wealth simmers in Peru

At Ayaviri station, high in the desolate Peruvian Andes, ragged children clambered aboard the train waving oranges and sweet corn, their stout mothers behind them. An old Quechua woman thrust handfuls and socks towards tourist couple, crooning "Alpaca, alpaca".

They were unimpressed and the women sold nothing. Alongside the station the mud houses merged into the endless plain, occasionally scratched by furrows and dotted with llamas.

"They can't live by weaving anymore—they're all collecting cocaine", my Peruvian friend said. She was referring to "kitchens"—makeshift refineries that are now the means of livelihood for many Indians, replacing agriculture or weaving.

The rising expectations of the Indians faced with the austerity of their lives, has caused this change. Agricultural prices are state-controlled, but manufactured goods and transport costs rise almost weekly, preventing the peasants from earning a decent living from their crops. Moreover, the soil is poor and crops grow unwillingly.

Cocaine, the source of cocaine, grows readily at the most barren heights and needs little attention. Revered by the Indians for its uses for medicine and hunger-suppressing effects, the plant now promises wealth to the impoverished Indian.

The kitchens are in cottages or backyards, although in Bolivia they are mobile, hidden in lorries. The equipment is simple—oil drums, a few chemicals, paraffin and a fire. Small handfuls of coca leaves are distilled in paper bags and hydrochloric acid heated and stirred, eventually producing *pasta* (paste) which is then washed in ether or acetone to yield powdery white cocaine.

For this work the peasant receives the equivalent of £13.30, better than the average daily wage of about 35p. He may produce kilograms of *pasta*, dollars are accepted, but the Peruvian sole is not, at least not by the dealers in quantity.

Possibly the local police turn a blind eye: the business supports many poor peasants who might otherwise become disaffected and listen to the radical

students at Puno University. The dealers invest in local tax-free enterprises and most of the drug is exported. But the growing number of Peruvians porters or porters uses cocaine to change this liaison faire attitude, particularly as the smoker of pasta can seriously damage his health.

The Government restricts the sale of acetone and ether, but these can be got through the use of front men. An anthropology student, living with Indians in Taripe, has visited it for years; the last occasion produced nothing but sniper fire. Since then the Civil Guards in Puno have become the richest in all Peru, a waiter says. Even the secret police, merely keeps the kitchens outside the town limits. Transport is by the back roads at night.

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The dealers invest much of their profits in legitimate enterprises, particularly clubs and restaurants, and 90 per cent of the cocaine is exported, as few Peruvians can afford it.

While Western governments

deplore the trade, the Peruvian peasant digging with his foot, plough no doubt dreams of the chance to buy a lorry, the key to wealth in the Andes.

Daniel Richardson

## Algeria's future threatened by past

A worried President Bendjedid Chadli of Algeria will sit down next Tuesday to study a kind of test that separates a Pinochet from a Mexico, a Jamaica, an India, a Venezuela, a Barbados—that favours a South Africa over these countries—if that is how you make the test it is difficult to understand the thinking behind that process."

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PARLIAMENT, May 1, 1980

## 'Transfer fee' of £1.8m brings American investment banker to head of steel corporation

**House of Commons**  
Amid interruptions and laughter from the Opposition benches, Sir Keith Joseph, Secretary of State for Industry, announced the appointment as chairman of British Steel Corporation of Mr Ian MacGregor, who has a partner, a New York-based investment bank which will receive payments to compensate them for losing Mr MacGregor's services.

Sir John Silkin, chief Opposition spokesman for Industry, tested the statement as "staggering". They were talking, he said, about a transfer fee of nearly £2m.

Sir Keith Joseph agreed and renewed his offer that it was a transfer fee of £1.8m added—Perhaps the bigger the transfer fee, the better the player.

Sir Keith Joseph said: Sir Charles Villiers' whose term of office ends in September has tackled the difficult task of adapting BSC to changing market conditions with energy and dedication. I am glad to pay tribute to his work and to express our appreciation of it.

As chairman of BSC we have appointed Mr Ian MacGregor. He will tomorrow join the BSC board as a part-time deputy chairman. Sir Charles Villiers and I are agreed that it would be best if he were to take on the job as chairman with the minimum of delay. Mr MacGregor will therefore become chairman on a full-time basis.

Mr MacGregor was born in Scotland and has spent most of his working life in America where he has had an outstandingly successful business career. He was

chief executive of AMAX, the metals and mineral resources company, from 1966 to 1977.

During the period of his appointment, Mr MacGregor will continue to be an associate partner in Lazarus Freres, a large steel producer, and a chairman of Lazarus Freres and Company, a New York-based investment bank.

In Mr MacGregor I believe that we have found a man with the qualities needed to lead BSC, but in present difficulties, Mr MacGregor can only be paid at the rate based on the recommendations of the review body on top salaries—currently £48,500 a year.

Mr MacGregor has commitments elsewhere and so far as I can see, he will have agreed to release him in return for certain financial conditions. These conditions comprise two elements: the first is a payment to Lazarus Freres of £575,000 for the last three years of his appointment, two thirds of which will be returnable pro rata if he completes less than three years. The second is a payment again to Lazarus Freres in the range of nil to £1,150,000 linked to the performance of BSC under Mr MacGregor's chairmanship.

These performance payments would be made in 1984 and 1985 and would be related to certain performance criteria to be agreed between the Department of Industry and Lazarus. The level of these performance payments will be assessed by a performance review committee, comprising two persons nominated by me, two persons by

Lazarus, with an independent chairman acceptable to both.

During the period of his appointment, Mr MacGregor will continue to be an associate partner in Lazarus Freres, a large steel producer, and a chairman of Lazarus Freres and Company, a New York-based investment bank.

I should make it clear that the payments to Lazarus Freres which I have described are not for payment in whole or in part, to Mr MacGregor except in so far as they relate to Lazarus Freres and Company, in which he retains a small share. Their purpose is to compensate Lazarus Freres for losing the business services of Mr MacGregor. I should also emphasize that the 85 per cent of the population and 75 per cent of the

population on his serving for the full three years and achieving results.

We have been prepared to secure the release of Mr MacGregor because the workings of his chairman's role call for a chairman of BSC reflects our belief that the current problems can be solved, the corporation restored to profitability as an efficient producer of steel and become a secure base.

For the Government to set financial targets is not enough; we must also seek to appoint people capable of achieving those targets.

Mr MacGregor is a man who has done and I am sure that the whole House will wish him success in his difficult task at BSC.

## Man of proven performance: good value for Britain if he succeeds

**United partner in the partnership's profits.** Note on the statement about the chairman of BSC. Mr MacGregor is a chief Opposition spokesman on industry, said—Regardless of Mr MacGregor's suitability for this post, on which we will no doubt stand our judgment until the next statement, for the most the most staggering statement in the House heard in a long time?

What are we talking about a transfer fee which, when you work out the reward to Mr MacGregor himself, comes to nearly £2m. Does Sir Keith Joseph envisage a signing ceremony? If so, on what platform? Sherton, Corby or half of Lancashire?

Mr MacGregor will serve until his seventeenth birthday, five years after steel workers have finished their contract. He and Lazarus Freres are offered this money at a time when the steelworkers still have a number of years of service left with whom he will have to work?

On what authority is this payment to be made and what vote is to come under? What are these new criteria on which will be a sum to be given to these American bankers at his benefit?

Are they to be for improving industrial relations? If so, Mr MacGregor's statement in the newspaper this morning that he reckons he can take from Bill Sirs is not the most hopeful way of establishing industrial relations.

Are the criteria to be improved steel production? If so, when we are told steel production is going down between 12 million and 13 million tonnes, maybe the loss of steel will be the criterion.

Sir Keith Joseph—I would have thought it would be common ground that the BSC is an important and responsible job. If the new chairman succeeds with the help of all those concerned in converting the present situation into a success, then any payment made on his account not necessarily to him will be a good value for the country and all those who work in the steel industry and its products.

The taxpayers' money is not to be used except as performance justifies.

Mr Jonathan Aitken (Thame, East Oxfordshire)—I am a very excellent spokesman for Mr MacGregor's abilities and the application of a man of Mr MacGregor's abilities should be clouded by the factual nature of the arrangements that the Secretary of State has announced, including the setting up of a mini-committee to decide precisely what those arrangements are.

Has he stopped to think what the effect will be on the climate of pay negotiations of arrangements of this kind?

Sir Keith Joseph—I would have thought that the House would appreciate the importance of getting the best man for the job.

That he has not been agreed is not necessarily to say that he has got the best man for the job and all those who work in the steel industry and its products.

Mr MacGregor is a man of proven performance. He is subject to a partnership agreement and it was up to his partners to decide if they would release him. They have agreed to the conditions I have explained.

This is, as Mr Silkin said in the only valid comment he made, a transfer fee. Perhaps, the bigger the transfer fee, the better the player.

The bulk of the money will only be paid depending on performance. It will not, except for the salary if announced, go to Mr MacGregor himself except for his share as a director.

Mr Silkin—I am disappointed that he has not taken this view.

Where there is an obligation as there is in this case because he is subject to a partnership agreement if he wants to leave—he can be conditioned by his partners.

This is the best man available and I judged it to be greatly in the interest of BSC and all those concerned with it, that he has accepted responsibility for the task he has been given.

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A psychiatrist on the tension that affects siege captors and captives

## Stress: making friends of enemies

The public remains sometimes bewildered by the behaviour of captors and captives when both are submitted to long periods of intense nervous stress. That is because few people seem to be aware of the predictable response of the human and animal brain to such stresses. The Second World War provided a multitude of examples of the nervous system of normally brave soldiers breaking under stress—rarely seen in peacetime—but the patterns emerging were mostly very similar despite the marked differences of behaviour of the same people in normal circumstances.

The brain is mechanical computer obeying mechanical laws. Put under stress, it may start by showing extreme excitement but this is rarely followed by progressive inhibition of the brain activity. First there is a "hysteroid" phase when the individual's computer becomes so disturbed that he starts to believe statements, whether true or not,

which he would normally have questioned when in a rational state. Critical faculties are suspended and absurdities can become firmly held viewpoints. The "ultraparadoxical" phase of brain activity supervening later is even more disturbing, because then positive condition behaviour becomes negative and vice versa. The individual's response to situations is quite opposite to the way he would normally respond. His nerves, for instance, become his firm friends at his friends' expense; or he confesses when that would be the last thing he would do in his right mind.

It is essential in dealing with hostage situations to keep an amount of excitatory pressure on the captors but to avoid raising violent action producing an explosive state of excitement so excessive that it could lead to the death of the captives.

But if tension is continued and communication maintained with the captors they themselves will also become sus-

ceptible and perhaps behave ultraparadoxically by doing the opposite to what they intended and surrender. That happened in two previous London sieges where this policy was sensibly pursued by the police. But it can take many days of stressful waiting while constantly telling the captors they are surrounded and their situation is hopeless before success is achieved.

What are the effects of stress on the captives? This means that the brain's activity is breakdown explains many irrational happenings in people held and submitted to stress in varied situations. In the extraordinary picture of the untrained captives starting to become sympathetic and friendly with their captors and even adopting their viewpoint. A captive of the five-day Spaghetti House siege in Knightsbridge in 1975 visited and comforted his captor when the latter was afterwards imprisoned.

It is bound to happen, for instance, that quite a number of the American captives in Tehran will start to sympathize

and believe in the views of their captors because of the prolonged state of tension they have undergone. Some may completely break down into mental illness which will become more apparent after but not before their release. A few will remain staunchly unmoved by their captors' viewpoint.

A better understanding of the brain's activity is breakdown explains many irrational happenings in people held and submitted to stress in varied situations. In the case where suspects are subjected to prolonged interrogation they may make true or false confessions in a way they would never have considered possible in a normal state of brain activity. The large number of suicides in police cells after prolonged interrogation is easily understood; the anxiety aroused is so great that the "ultraparadoxical" stage of brain activity supervenes and a person normally so loving of life sud-

denly wants to die and does so by his own hand.

Many confessions and suicides are certainly not "voluntary" in the true sense of the word, but the underlying mechanisms seem so rarely understood by many concerned in bringing the process about.

Captors rarely kill themselves or risk their own deaths. This means that if the police wish to avoid disaster for the hostages they should continue to behave with the utmost restraint. It is always necessary to cool the situation but at the same time keep up steady nervous pressure and communication with the captors. Only in that way can the police bring about a desire in the captors to start to behave in a different and opposite way from their normal original intention.

Dr William Sargent

Honorary Consulting psychiatrist  
St Thomas's Hospital

From September, Mr Ian MacGregor will be chairman of British Steel. He succeeds Sir Charles Villiers, who offers this parting advice.

Dear Ian MacGregor:  
You will find the British Steel Corporation in the midst of deliberately hard, strong radical action to prepare for the new conditions of the eighties. The adjustment, during which 10 major iron and steel works have been closed and the others employed will have fallen by about 70,000 in the three years to September 1977, is difficult, but essential. It is not popular, but is moving BSC towards a realistic future. The job is to make BSC a commercial business which can survive with fierce competition.

The United Kingdom, like France and Italy, is in the middle of a sandwich between the industrial superpowers, Germany and Japan, and the new, up and coming, such as Brazil, Korea and Spain. This is uncomfortable news for many industries, but for steel it raises the question of survival because squeezed between the most advanced and the lowest cost producers, BSC could become irrelevant.

And without change the cost to the nation of BSC—losses, investment, working capital—could run at up to £100,000,000 a year: this wouldn't happen for long.

At the first International Steel Trades Confederation Conference to which I spoke three years ago, I said: We

cannot make a successful steel industry in this country structured as we are now. If we go on like this there is only one way to go and that is down."

A year later I told the same conference: "Unless we improve performance and become competitive in every way, the future of bulk steel-making in this country is in grave doubt and jeopardy. If we go down it will be our fault; it is not too late, but we must get on with it."

Each year has seen a further twist of the economic screw. In autumn 1977 emerged the full horror of world overcapacity in steel (about 100 megatonnes). My job was to persuade the Labour government to turn round my 180 degrees the steel policy of its manifesto: hence the March 1978 White Paper "The Road to Viability", which set out riding instructions which are still valid. "Bring capacity down into line with demand and eliminate loss."

Since October 1977 we have had the iron and steelworks at Clyde Iron, Hartlepool, East Moors, Ebbw Vale, Shelton, Glynneath; Bliston and Shotton, and agreed the closure at Corby and Hallside.

In 1979 we saw the full failure of British manufacturing industry to recover from the recession and the new dimensions of import penetration in finished goods. We saw the doubling of the oil price, with its world inflationary consequence, and the bitter irony of the pound becoming a strong petro-currency at a time when United Kingdom industry was least fitted to stand it.

The response in BSC has been even greater urgency for change. Many nationalized industries can put up prices-plus. For steel this would be suicide.

To exert pressure to adapt I advised the board just two years ago, to set as an objective the target of breaking even by March 1980; to tighten up performance and focus attention on cash and the elimination of loss. It forced BSC to press on with bringing capacity down into line with demand, and cutting our overmanning.

Faced with worsening economic conditions in 1979, the "soft" court would, perhaps, have been tempted to abandon the objective of breaking even. We could have cited continuing losses in steel in France, Belgium and Italy. We could have asked the British taxpayer to subsidise over capacity, loss-making exports and BSC less than adequate performance and gleaning. But we did not.

In fact in July 1979, we renewed the objective of operating at break-even by March. And it means a new flexibility among the workforce, in line with the European competition. The "enabling agreement" dated 21 March 1980, and endorsed by the Lever Committee, is designed to move towards this. There were the strings that overhung our long painful strike—these strings must now be made effective.

We tried from day one to achieve partnership with the steel unions in Steel Contract. This was wrecked on the rocks of trade union autonomy and an unwillingness to share problem-solving if it meant job loss. One third of our main board members come from the shop floor and they



Sir Charles Villiers and Mr Ian MacGregor: a realistic future

## Stay strong in the market place

1980, and strove for it till November, when the United Kingdom's accelerating inflation, which sliced pound and the interest of BSC, it took six months to get any response a national union level at all. Future relations with the steel unions will depend on their willingness to discuss the terrible problems we face with real and urgent.

BSC needs a structure which helps the business adapt and develop. The faster the economic environment moves the more inappropriate management organizations are. The press of decentralization while we have begun must gather. Yet in all this doesn't the need for strength in the market place... stronger is beautiful. I believe BSC I rely for this now.

BSC's radical adjustments require major government aid if existing industrial change causes great pain and hardship in many steel communities: BSC pioneered ways of alleviating this with BSC (Industry) which brings new business to the old steel sites. This year, working with other agencies, it should help to create 10,000 new jobs. An enormous figure—who else is doing this?

Government supports the adjustment of older industries, it must also stimulate and encourage the new industries large and small, which take the place as employers an with creators. It can't be forced, especially in recession, if the job contraction in the economy becomes a nightmare unless the government to re-plan old with new is seen as an

We are not nearly at the end of the steel saga. The immediate tasks are:

1. Get at plant level the improved productivity due to 21 March "Enabling Agreement".

2. Repair the commercial damage of the steel strike by meeting customers needs directly now.

3. Contain the costs and save and generate cash everywhere.

The next few years offer a bright prospect in volume of production: the cost price squeeze and strong pound will continue. So will the need to change.

Believe managers are not ready for it. I believe the workforce have come to see the need for it. If they do, the unions it will be able to moderate their views of the eighties and contribute to save bulk steel-making in the United Kingdom.

There is a role for a strong efficient steel industry in the United Kingdom and Britain manufacturing industry will benefit from it. But it has fought for—and that means—and the political action is needed to make BSC commercial and competitive.

Good luck—you'll need it!

## The terrorists who beat the system

Two years ago the main threat confronting Scotland Yard was of a renewed Provisional IRA attack on mainland Britain. There was also intelligence to suggest that London might become a battlefield for the scismatic, violent emotions of the Middle East, but there were few serious incidents.

Since the beginning of 1978, however, that intelligence has become reality, with more fatalities from Middle East terrorism than from the IRA. Since 1978, seven people have died as a result of violence generated thousands of miles away from the streets of London.

The first to die was Mr Said Hamami, European organizer for the Palestine Liberation Organization, who was shot in his office close to Oxford Street. Unprepared Scotland Yard even thought at first that the dead man, was Shaikh Yamani, the Saudi Arabian oil minister.

As the hunt for the assassin started, disbelievers began to realize that, with

a thousand Arabs visiting London every three days, with many established refugee communities, and with the endearing cordoros of Arab politics, Mr Hamami might not be the only casualty.

Six months later their suspicions were confirmed with the death of a Jordanian Jordanian Prime Minister, General Abdul Raouf al-Naif, in June 1978. A month later an unsuccessful grenade assault was launched on Beirut, once the pleasure resort of the Middle East.

Eleven Iraqi diplomats and businessmen for the most part, were expelled during that period. The violence continued in August, when an El-Al stewardess and a terrorist died in an attack on an Israeli airline bus.

There was a lull until January this year, when violence began again, with the death of a Iranian student in a bomb explosion in a West End hotel.

The pace quickened three weeks ago with the death of Mr Muhammad Ramadan, a Libyan journalist, and last

Friday, a few hundred yards from the Iranian Embassy, Mr Mahmoud Abdu Nabi, a Libyan lawyer, was also shot dead.

Although many of the attackers have been caught and convicted, the reaction of the police has done nothing to stem the entry of violent Arabic ideologues who can successfully blend into the large Arab community that has grown up in London since the devastation of Beirut, once the pleasure resort of the Middle East.

The first line of defence lies at ports and airports, where Special Branch has to sift through millions of tourists and businessmen each year. It has the use of a special intelligence register, against which it can check suspicious arrivals, but, although approximately 40,000 checks are made each year, the system cannot be perfect.

If the visitors have diplomatic status, they and their offices become the responsibility of the diplomatic protection group. Police Constable

Stewart Tendler  
Crime Correspondent

Geoffrey Smith

## How close are we to an exit from Europe?

How far has Mrs Thatcher's method of negotiation over the European budget strengthened or weakened the prospect of Britain remaining indefinitely a member of the Community? It has certainly raised the hopes of those who favour withdrawal. They know that sentiment in the country is running in their direction. A Gallup poll published in *The Sunday Telegraph* on April 20 found a two to one majority for leaving the Community.

In the Commons these days there is a new assurance among the anti-marketeers on both sides of the House. They believe that there is a tide of events that is inexorably drawing Britain away from the EEC. At the same time a loss of conviction is evident among those who still believe in British membership. They have not changed their views, but they have less confidence in them.

Mrs Thatcher is not seeking to strengthen the anti-Community cause. When she reported to the House of Commons on Tuesday on the outcome of the Luxembourg meeting she went

out of her way a number of times to assert her belief in the continued value of British membership. What she has been doing in domestic political terms is to respond to anti-EEC sentiment by parading her determination to fight for British interests in Europe. The effect is to raise the stakes.

If she can secure an agreement that accords reasonably closely with her demands then she will be able to assure the fears of the British public—all the more effectively for having dramatized the issue. She will then be in a position to argue that it is possible to remain in the Community without sacrificing Britain's material interests, that Britain's just demands have been met and that the new conditions are so much more favourable to Britain that the effects of membership will be far more beneficial in the future.

In those circumstances her previous intransigence about the negotiating table would make her a more persuasive advocate for the Community in Britain.

But her strategy is by its nature a high-risk one. There is no prospect of her obtaining everything that she is demanding, and she has asserted her requirements so dogmatically that it will be easy for her critics to point to the gap between her goal and her achievement. That will not matter if the gap turns out to be only a small one, but if it is significant she will have presented the anti-marketeers with a valuable weapon.

The direct impact on public opinion may not be of great consequence. It is perfectly possible under the British system for governments to continue for years with policies which are not supported by public opinion. Capital punishment has not been in force in Britain for nearly 20 years, although throughout this time there would certainly have been a majority for it in any referendum.

What matters is whether public feeling on particular issues is of such intensity as to force or induce one of the main parties to respond, either by adopting the policy outright or by putting the question to a referendum.

An opinion poll is no measure of intensity of feeling, or indeed of permanence. At this point one is bound to be in the realm of subjective assessments. British opinion on the EEC has varied a great deal over the years. At the time of the 1975 referendum it was much influenced by the fact that the leadership of the three pri-

pal political parties all favoured continued membership. Whether that would be equally influential may perhaps be questioned, but what is much more critical is whether the leadership of all three parties remain committed to British membership.

That is to assume that the leadership will want to resist the pressures, which will depend to a large extent upon who is leader. So long as it is Mr Callaghan the assumption is probably correct, though one cannot be absolutely certain. His tactics are to encourage Mrs Thatcher in her campaign for a reduction in Britain's budget contribution, but to criticize her for raising expectations too high.

If she obtains an agreement that does not differ too markedly from her demands, these tactics should enable Mr Callaghan to accept the substance of the settlement, while making the kind of waspish comments on her personal style that are thought to be required by the conventions of British party politics. But if she can't get an improvement on the terms offered at Luxembourg, she will find it hard not to reject the deal, perhaps with the suggestion that a future Labour government might do better.

Every time the Prime Minister delivers an offer from the Community, she not only goes out on a limb herself but also pulls Labour's leader with her and he might find it more difficult to scramble back again. That is true of Mr Callaghan. It would apply even more to a successor.

They tried from day one to achieve partnership with the steel unions in Steel Contract.

This was wrecked on the rocks of trade union autonomy and an unwillingness to share problem-solving if it meant job loss.

In fact in July 1979, we renewed the objective of operating at break-even by March.

## MOSCOW RACING DIARY

stand is all columns with decorated capitals, palaued ceilings, plaster frescos of horses in Elysium.

In this classless society there are three classes of seating. For £20 you go to the main stand with its wooden seats and high wooden railings. For the top price you can go into the emptier, smarter section. There is even an elaborate semi-circular "royal stand" with stained-glass windows (again of horses) and decorative canopies.

Inside the betting hall looks like a nineteenth century rail waiting room with women who look like the "baba" in Russia ("bokmator") sitting behind a wire grille.

It is all a bit shabby, worn down by countless crowds, and debris, too little maintenance. And the attempt at grandeur is at odds with the eager, jostling, smoking, garlic-smelling rough-and-ready crowd.

Racing begins at 1.00 on Sunday afternoons. The first thing to do is to queue up to get a racing programme. The booklet lists all the horses for each race, their age, parentage, times and placings in four previous outings to give an idea of form, and the names of the jockeys and their colours.

Actually they are not really jockeys because on most days the events—winter and summer, day or night—are racing, with the jockeys being replaced by drivers. The flat racing season opens later on and on one great day in mid-summer there is the equivalent of the Grand National, the Derby and Ascot all rolled into one. But usually on the three

racing days—Wednesday and Saturday evenings and Sundays—it's all horse racing.

A friend and I arrived too late to get a programme, but managed to persuade one of the plump and friendly bookies to give us hers. She explained the betting: you have to "give the forecast," picking the winning two horses. There is no place or show option, and the basic stake is a rouble.

You get a cardboard ticket with the choices scribbled on. Of course all betting is on the totalisator system—there are no private bookmakers, at least not officially. In theory the odds are worked out before each race and the payoffs vary accordingly. But there was no way of finding out the odds, and never was any information suspiciously uniform and never more than a few roubles.

There are all types at the races: actors, artists, rugged workers in rough clothes, the smart and fashionable sporting Olympic shirts or surreptitiously acquired amazons and jockeys with Adidas, John Player special, or some other familiar corporate firm's name emblazoned on their hats. Veterans in their Sunday best with medals on their chest, leather-jacketed youths, swarthy muscled faces from the south, a few old women and the occasional blonde bombshell.

In the depths underneath the stands are more betting bookies, betters (with police notices saying the hook of the buff), and the public lottery. Loud-speakers play "compah" music. There's a happy relaxed atmosphere. People are drinking Pepsi-Cola, with its distinctive

unmistakable even in Cyrillic script. And before the Olympic boycott, and is not subject to an American trade embargo as Coca-Cola is. It has become a rather chic drink.

Even the police are leaping against the fence





## COURT CIRCULAR

BUCKINGHAM PALACE  
May 1: The Prince of Wales attended by the Hon Edward Adams and Captain Anthony Adams arrived at Heathrow Airport London today in an aircraft of The Queen's Flight from The Netherlands.

His Royal Highness was present at the Annual Dinner of the Electrical Engineering Association at the Cafe Royal, Regent Street, W1.

Mr Oliver Everett was in attendance.

The Princess Anne, Mrs Mark Phillips, this morning opened the Festival Brass Band Show, Villiers Street, London, and afterwards was present at luncheon.

Her Royal Highness was received upon arrival by Her Majesty's Lord Lieutenant for Wiltshire, the Lord Mansfield and the Chairman, E. H. Bradbury and Sons Ltd (Mr L. Bradbury).

In the afternoon The Princess Anne, Mrs Mark Phillips toured

and opened the factory and office complex of Clover Leaf Giftware Ltd (Joint Managing Directors, Mr B. Fliegold and Mr D. Finegold).

Miss Victoria Leng-Bourke was in attendance.

**YORK HOUSE**  
ST JAMES'S PALACE  
May 1: The Duke of Kent, Colonel Scots Guards, today visited the 2nd Battalion Scots Guards at York.

His Royal Highness, who travelled in an aircraft of The Queen's Flight, was attended by Captain Mark Bullough.

The Duke of Kent this evening presented the Blue Circle Awards for Industrial Journalism at the Waldorf Hotel, Aldwych.

Lieutenant-Colonel Richard Buckley, RN, was in attendance.

### Birthdays today

Air Chief Marshal Sir John Barracough, 62; Brigadier F. C. Curtis, 82; Instructor Rear-Admiral Sir John Fleming, 76; Mr Alastair Forbes, 62; Sir Campbell Fraser, 57; Mr Henry Hall, 82; Colonel Sir Denis Hicks, 72; the Right Rev Dr L. S. Hunter, 90; Mr Clive Jenkins, 54; Admiral Sir Geoffrey Miles, 90; the Duke of Monrose, 73; Mr John Neville, 55; Commander Sir Allan Noble, 72; Sir Ronald Sinclair, 77; Dame Nancy Snægg, 74; Sir Geoffroy Wallinger, 77.

### Today's engagements

Princess Anne and Captain Mark Phillips attend Farmers' Community dinner, Mansion House, 7.25pm.

Prince Michael of Kent opens exhibition of the works of David Wyllie, Banffshire House, Windsor, 12.15pm.

Exhibitions: National Society of Painters, Sculptors and Print Makers, Mall Galleries, The Mall, 10 am-5 pm; The Geologic British Museum, 10-5 pm.

Post Office Geological Museum, South Kensington, 10-6; Frances Richards, paintings, drawings, engravings, lithographs, embroideries, from 1926 to 1979, Canongate, Edinburgh, Portland Place; Regis Lansac: poetic photography, Dorothy Wade, "Scenes of Venice", and other gouaches, Woodstock Gallery, 16 Woodstock Street, Oxford Street, 10-6.

Leuchars: Duchamp, by Sarah O'Brien-Twigh, Tate Gallery, 1-10: "The City through 18 centuries", by Hugh Chapman and John Clark, Museum of London, Barbican, 10-5pm; Oliver Stempel, Soane Museum, Turner Society, "The Poetry of Vision", by Professor E. F. Shannon, 1st, Usher Gallery, Linlithgow Road, Lincoln, 8.

Luncheon music: Concert by Lionel Salinsky, Guildhall School of Music and Drama, 1.15pm.

Memorial service: Major-General Sir Douglas Campbell Royal Hospital, Chelsea, 11.30.

### Latest appointments

Latest appointments include: Dr John P. Hearn, director of the Wellcome laboratories of comparative physiology of the Zoological Society of London.

He is director of the Institute of Zoology from August 1, on the retirement of Dr L. G. Goodwin, Squadron Leader Adam Wise, aged 36, commander of the University of Wales Air Squadron, posted to Equator to the Queen, in succession to Lieutenant Commander Robert Guy.

Sir Francis Sandlands, chairman and director of the Commercial Union Assurance Company, to a member of the Royal Fine Art Commission.

Legal

Mr G. L. S. Dobry, QC, to be a circuit judge assigned to the South-eastern Circuit.

### Forthcoming marriages

Mr P. J. Green and Miss C. F. Paradise: The engagement is announced between Philip, son of Joseph and Toby Green, of 43 Avenue Road, London NW3, and Isadora Herbert Paradise, daughter of Jane Paradise and the late Isadore Herbert Paradise, of 21c Highgate Close, London, N6.

Mr C. D. Harper and Miss A. J. Mocatta: The engagement is announced between David, son of Major and Mrs J. G. Harper, of Priory Close, Hornton, Cumbria, and Jacqueline, youngest daughter of Commander and Mrs M. E. Mocatta, of Floudmoor, Froxfield, Hampshire.

Mr G. C. Hawkes and Miss G. I. D. de Vere: The engagement is announced between Jonathan, younger son of Mr and Mrs John Cameron Hawkes of Lytham Court, Rusk, Cornwall, and Georgina, only daughter of Mr and Mrs Roger de Vere, of Morpeth Terrace, London, 5.

Mr M. J. McGlin and Miss C. J. Forbes: The engagement is announced between Marc, only son of Mrs P. C. M. McGlin, of Cheltenham, Gloucestershire, and Felicity Jane, only daughter of Mr and Mrs A. Forbes, the late Mrs D. J. Forbes, of Newbury, Berkshire.

Mr J. W. Medcalf and Miss E. B. Bollom: The engagement is announced between Clyde, eldest son of Mr and Mrs E. Webb, of Linton, Bedfordshire, and Hilary, younger daughter of Dr and Mrs T. P. Burton, of Trinity Hill, Ripon, North Yorkshire.

Mr N. J. Webber and Miss C. McCallum: The engagement is announced between Robert, son of Richard and Mrs A. L. Vans of Fleet, Hampshire, and Mary-Catherine, daughter of Mr and Mrs G. Glynn, of The Fairway, Devizes, Wiltshire.

Mr C. B. Webb and Dr H. V. Burton: The engagement is announced between Clyde, eldest son of Mr and Mrs E. Webb, of Linton, Bedfordshire, and Hilary, younger daughter of Dr and Mrs T. P. Burton, of Trinity Hill, Ripon, North Yorkshire.

Mr M. J. Milin and Miss C. S. Bonson: The engagement is announced between Christopher, elder son of Mr and Mrs John Milin, of Frogmore Farm, Rothwick, Hampshire, and Charlotte, daughter of Mr and Mrs Michael Bonson, of Broadfield House, Yattondon, Berkshire.

Mr B. M. O. Robinson and Miss S. Jaffe: The engagement is announced between Miles, eldest son of Mr and Mrs G. M. O. Robinson, of Liverpool, and Sophie, the only daughter of Mr and Mrs A. Jaffe, of Llandudno, North Wales.

Mr G. Butcher and Miss C. A. Collins: The engagement is announced between Glyn, son of Mr and Mrs Glyn Butcher, of 10a, St. Asaph, and Sophie, daughter of Mr and Mrs A. J. Jaffe, of Llandudno, North Wales.

Mr G. Hutchinson and Miss S. Hutchinson: The engagement is announced between Nigel, son of Mr and Mrs Julian Hutchinson, of 10a, Saudi Arabia, and Heather, daughter of Mr and Mrs G. S. Hutchinson, of Pembroke Square, London, W8.

Mr S. J. Alexander and Miss S. M. C. Kirby: The marriage took place in London on May 1, 1980, between Mr Stuart Ian Alexander and Miss Serena Mary Claudia Kirby.

Mr R. Hyde-Thompson and Miss C. Behr: The marriage took place quietly in London on May 1, 1980, between Mr Rodney Hyde-Thompson and Miss Caroline Behr.

Mr G. B. Williams and Miss C. Behr: The marriage took place quietly in London on May 1, 1980, between Mr Rodney Hyde-Thompson and Miss Caroline Behr.

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New Printing House Square, London, WC1X 8EZ. Telephone: 01-837 1234

## WHAT'S GOOD FOR LAZARD FRERES

Mr Ian MacGregor, who is shortly to become chairman of the British Steel Corporation, has had a long and distinguished career in international industry. Born a Scot and now a naturalized American citizen, he adds a cosmopolitan quality to his industrial and business achievements. Although he has not been a prominent figure in the British industrial scene, there is no reason to doubt that he has potentially much to contribute to the regeneration of the fortunes of the British steel industry. Since the time that he was ear-marked to be the chairman of British Leyland, ministers of both political parties and the senior civil servants principally involved have been much impressed by his personal qualities.

It is, therefore, all the more tragic that the circumstances in which his appointment was announced yesterday by Sir Keith Joseph, the Secretary of State for Industry, should have been such as to destroy any positive impact that it might have made. The minister, Mr MacGregor, himself and the United States investment bank, Lazard Frères, have combined in a major error of judgment. The prime responsibility, however, must lie with Sir Keith.

His argument is that the BSC is in a mess and that the Government should hire the best available new chairman and pay whatever is required by way of a transfer fee to get him. The ana-

logy with the part show business world of international football, in which Sir Keith willingly accepted yesterday, is in itself disastrous.

Mr MacGregor may no longer be a British citizen and there is no reason why business men should accept public sector chairmanships for a pittance. There ought, however, to be an element of public service in such employment. To deny it entirely is the sort of mistake a Conservative government should not make.

Apart from the generally unfortunate quality of the way in which the appointment has been negotiated, there are a number of specifically unacceptable elements that anyone with political judgement should have avoided. First, the compensation fee being paid to Lazard Frères for the substantial loss of Mr MacGregor's services, may be justified in principle, though it might have been expected that the bank would agree to release him at the request of a friendly government. The sum involved, however, appears uncomfortably high. Mr MacGregor is already two years past normal retiring age. He had retired from his previous main job as chief executive officer of the American metals company, Amex, in 1977.

A flat sum of £675,000 for the next three years in compensation to the American partnership seems high. If the Government had been prepared to put that kind of money towards the improvement of the pay of nationalized industry chairmen, entirely new areas of possible

domestic recruitment would have been open.

Secondly, it is wholly illogical that the compensation sum paid to Lazard Frères for the loss of Mr MacGregor should in addition to the £675,000 be increased by up to £1,150,000 on the basis of the performance under his chairmanship of the BSC itself. A transfer fee is a transfer fee. It is quite extraordinary that the British Government should have agreed to this further substantial payment to be calculated on the basis of events that have nothing to do with any loss that Lazard Frères may have suffered by the departure of Mr MacGregor, or any contribution that Lazard Frères might make apart from foregoing his services.

It is, in addition, insensitive in the extreme, as the industry strives to climb out of the debris of the recent steel pay strike, to announce a payment of this size to a bank for the services of one man. Steelworkers would not be Human if they did not compare their take with that of Lazard Frères. Leadership in an industry is vital. The role of an executive chairman should not be underestimated. But the BSC will only emerge from its rut by teamwork and co-operation. We must wish Mr MacGregor well, for his failure would further damage the national interest. He has, however, been given the worst possible start by Sir Keith. If these were the only terms on which he was prepared to serve, he should not have been appointed.

None of these measures will, I fear, eliminate violence and apoliticism. These are social problems as much in our streets as on our transport systems, and society must find the solutions. Until it does, we shall do our utmost to gain protection for our staff and our messengers.

Yours faithfully,  
W. W. MAXWELL,  
Managing Director,  
London Underground,  
55 Broadway, SW1.

May 1.

## NO EASY ANSWER TO A REAL PROBLEM

The Inner London Education Authority is an anomaly, and an expensive one. The official inquiry into its future announced by the Government this week will have no difficulty in finding evidence that it works unsatisfactorily in a number of ways. It may find it less easy to put forward an alternative which does not promise to be at least as unsatisfactory. The golden rule in local government affairs these days is to attempt no reorganization which does not guarantee unmistakable gains, outweighing the expense and confusion that can be caused in an accompany any extensive remodelling.

The case against ILFA is easily made. It spends more per pupil than any other education authority in the country, and its achievement in terms of examination successes are below average, even, it is claimed, when its special problems of urban deprivation are allowed for. Because of its great size, its lines of communication are long, a fault emphasized by over-centralization of administrative control. In the schools themselves, by contrast, its inspectors were too tolerant of eccentric and inadequate teaching, at least until the unhappy William Tyndale affair made it obvious that control had been too lax. The constitutional position of the authority is ill-adapted to coping with these problems, and (which is perhaps more important) ill-adapted to creating public confidence that it can do so.

The authority is technically a committee of the Greater London Council, with members drawn from the GLC, the twelve boroughs in its area, and the City (the outer London boroughs run their own education services). It has power to raise money at its own discretion through the boroughs (education accounts for as much as half of the rate demands of the latter). Its boundaries are drawn in such a way that Labour enjoys perpetual control. The result is that education is not really a political issue either in borough or GLC elections, and councillors have little incentive at either level to interest themselves in how their local schools are run, nor in what is spent on them.

The simplest solution to these problems would be to do away with the anomaly, and transfer responsibility for education to each inner borough. Subject to the findings of the inquiry, that solution seems to have nothing but simplicity to recommend it. The boroughs vary enormously in their wealth; to maintain standards, several would have to raise their rates by well over half. Even the strongest opponents of ILFA accept that some system for sharing resources would be essential.

The pattern of schooling in the area as it has grown up throughout the century pays no regard to borough boundaries; to provide a complete service, there would also have to be extensive sharing of facilities. It

is widely acknowledged that ILFA is able to provide many specialist services at an exceptionally high standard; this is possible only because they are organized on a large scale. Finally, the population in the area is falling; the adaptation to this needs to be planned over the area as a whole (which, it is predicted, will in any case be no larger in population than several other education authorities, by 1985).

A borough-by-borough system would therefore be burdened with so many cross-boundary arrangements, only indirectly accountable to the electors, that it might produce little gain in democracy at an increase, not a saving, in administrative costs. Yet the problem remains. The Marshall inquiry of 1978, set up by the Conservative GLC, proposed putting education squarely into borough politics by retaining ILFA; but drawing its members entirely from the boroughs, and increasing their number. That is on possibility. The new inquiry should also consider whether some boroughs unwillingly yoked into ILFA might be able to make a case for taking on their own responsibility for education. ILFA could scarcely exist under a permanent threat of secessions, but the minister might give boroughs two years, say, to demonstrate that they could provide adequate services alone—and, equally important, that this would be done without detriment to their neighbours.

Yours faithfully,  
M. J. CALVERT,  
Ockley Court,  
Ockley,  
Surrey.

## THE LAW LORDS OPEN A POVERTY TRAP

The availability of legal aid is not always an unmixed benefit, as the House of Lords recognized in its judgment yesterday in a case involving what Lord Scarman referred to as "a poverty trap set by the legal aid legislation in the very heartland of the modern matrimonial law".

The unfortunate victim was a Mrs Hanlon, a lady of limited means who, after years of divorce litigation, finally obtained a court order giving her the former matrimonial home. In the process she used up £8,000 in legal costs, which was paid by the legal aid fund. The law allows such costs to be set off against any assets gained through the litigation, and the Law Society (which has responsibility for civil legal aid) accordingly placed a charge on her home.

Thousands of similar charges are registered annually, and the amount involved runs into millions of pounds. A charge remains dormant for as long as the individual continues to live in the property but it is activated as soon as there is a sale. Mrs Hanlon found the upkeep of the matrimonial home beyond her means and wished to move to a

smaller home. If she sold her house, however, the Law Society would recoup the legal aid costs and leave her with insufficient capital even for the purchase of a cheaper house.

The case raised more than one issue of law, and the House of Lords in fact dismissed Mrs Hanlon's appeal on a separate point. All five law lords, however, agreed that the operation of the charge could be unjust, and one of them, Lord Lowry, suggested its abolition. The others, while not going that far, were of the opinion that the Law Society had the discretion to allow the charge to be transferred from one property to another—a discretion which the Law Society did not believe was within its powers.

That is a sensible approach which, assuming the Law Society exercises its discretion sympathetically, should eliminate the kind of dilemma posed by the Hanlon case. It would not be open for an individual to carry a charge around from house to house in perpetuity because that they appreciated the wider social implications of their decision.

off the immoral earnings of prostitutes are criminal offences. In the London case, a lady was successfully convicted of such offences. Again, her sex was irrelevant. Many such prosecutions if not the majority involve men, as for example being guilty of living off the immoral earnings of prostitutes. Where then is the hypocrisy?

The Durham theologians do not think the law should be used to enforce public morality. Traditionally Christian morality has strongly condemned prostitution, but since the Second World War has not been used to enforce morality in this particular case. The law is not used to enforce morality (in some states in the United States prostitution is a legal offence).

What then do they mean? Do they advocate the abolition of the exist-

society would no doubt stop allowing it to be transferred.

It is right that those who administer legal aid, and who are therefore trustees of public money, should take care that the legal aid scheme is not abused or funds wasted on the undeserving. In cases where legally aided litigants are successful, and as a result greatly improve their financial position, it was reasonable that they should be required to reimburse their legal costs to the fund which provided the money. At the same time, it is possible to temper keep control of public funds with flexibility and humanity in applying the rules in particular cases of hardship. It may be that the result of the Hanlon case will be to reduce the amount of money in the legal aid fund, because some costs which up to now would have been recoverable may permanently escape the clawback.

The House of Lords was nevertheless right to interpret the law in the way it did. Legal aid, after all, is a social service and their lordships on this occasion showed that they appreciated the wider social implications of their decision.

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## London's third airport

From Mrs Rhoda Evans

Sir, I was astonished to read of the British Airports Authority's declared intention to purchase 1,500 acres of land around Stansted airport prior to the public inquiry on its expansion.

Surely this is using public money to acquire land that may never be used for the airport or has the decision to make it the third London airport already been made. In which case why is time and money being wasted on a public inquiry?

Yours sincerely,  
T. A. ROBERTS,  
Avon,  
Cwmni Coch,  
Aberystwyth,  
Ceredigion,  
Wales.

ing laws (in England and Wales) relating to activities connected with prostitution? What the law does not forbid becomes legally permissible. The abolition of these laws is likely to lead to the rapid and extensive commercialization of prostitution. At present the law is used to prevent such an undesirable state of affairs. Are we to infer from the Durham theologians that they no longer believe that the commercialization of prostitution is an undesirable state of affairs; or however undesirable the may be, that the law must on no account be used to prevent it?

Yours sincerely,  
RHODA EVANS,  
Lydney,  
Ludlow,  
Great Dunmow,  
Essex.

What then do they mean? Do they advocate the abolition of the exist-

## LETTERS TO THE EDITOR

### Mrs Thatcher's stance in the EEC

From Mr Peter Tettam

Sir, Bismarck maintained that the proper use of words was to conceal meaning. The "New Speak" of the European Community, with words such as convergence, just return, participation and Community spirit, meaning more or less the opposite of what one would expect, is a perfect example of his dictum. Mrs Thatcher is accused of lacking Community spirit, because she is concerned that the level of Britain's budget contribution is unjust and agreement on increased farm prices would add an enormous burden for the British taxpayer and consumer.

She is also accused of lacking Community spirit, because she is concerned that the level of Britain's budget contribution is unjust and agreement on increased farm prices would add an enormous burden for the British taxpayer and consumer.

She has declared her total commitment to the Community, and would find this difficult to reconcile with bankrupting it. Britain needs an effective presence at all European institutions, some of which have a very large White Paper.

Community finances are in disarray and so far little notice seems to have been taken of Christopher Tugendhat's speech in Hamburg by which he argued sensibly for proper budget control by the Council of Ministers and Finance ministers, and the European Parliament so that the agricultural ministers could be restrained from overspending the resources of the Community. It is after all the French farmer who would most benefit from the agricultural policy and it would not help Giscard to sustain two years' losses in the election if the French voter were to find the CAP

is run into.

If we have to have surpluses let us produce useful ones which can be distributed to the starving and needy in our own countries and the third world. If for social reasons beyond the resources of the Community we have to subsidize the way of life of poor farmers, French shepherds in the Auvergne or Scottish crofters, let each country on its own add a topping-up deficiency payment agreed between the member countries.

The devotees of fudging issues with the "New Speak" of the Community spirit will very soon decide a blow to this great adventure of the European Community unless they return to the realities of everyday life and language.

Yours truly,

PETER TENNANT.

Blue Anchor House,

Linchmere Road,

Surry.

April 30.

From Mr Constantine C. Cambourne-paulos

Sir, Is it not refreshing to see a British Prime Minister coming back with no agreement, rather than one with a meaningless compromise?

Yours faithfully,

CONSTANTINE C. CAMBOURNE-PAULOS.

Ashcroft,

Ringers,

Lewes,

Sussex.

April 30.

From Mr Stephen Ross, MP for Isle of Wight (Liberal)

Sir, Thank goodness for your leading article today (April 29). The world situation is too dangerous for us to be at loggerheads with our European partners and Mrs Thatcher should have appreciated this fact.

Only my colleague Russell Johnstone had the courage to put this to her in the Commons on Tuesday, but his was a voice in the wilderness, such is the lack of vision in Parliament just now.

Yours faithfully,

STEPHEN ROSS.

House of Commons.

April 30.

From Dr Michael G. Jeffries

Sir, I imagine that the decision by the EEC Commission to further subsidize the Russian economy is to ensure that they can afford guns and butter.

Yours truly,

MICHAEL G. JEFFRIES.

Tyn-y-Coed,

Betws-y-Coed,

Gwynedd.

April 30.

From Professor J. P. Stern

Sir, I have recently returned from a lecture tour sponsored by the Goethe Institute in Federal Germany and I have been appalled at the restrictions and neglect which the offices of the British Council in those countries have to endure as a result of the Government's adoption of the astonishing Berill report. At the time when the Goethe Institutes are expanding their activities and generously supporting a wide variety of cultural and linguistic activities, and of course improving the English training contacts in the process, the British Council is being drained of funds for some of its most basic activities. Yet the level of interest in British culture and literature, the admiration and concern for this country's political and social institutions could hardly be higher: the sympathy acquired during the Second World War has not been dissipated.

All this cannot of course be attributed to the Berill report. Yet our other countries—France, Switzerland and Germany, which are treated enough when assessing the objects of their public expenditure—have no doubt that a generous cultural policy abroad pays off in tangible economic terms. Surely it is not too late to ask the Government to reconsider its policy?

Yours faithfully,

J. P. STERN.

Department of German,

University College London,

Gower Street, WC1.

April 28.

From Professor Barnabas Lindars

Sir, Biblical Hebrew does not have a word for male homosexuals. In Mark 12 and Luke 10 the word of mind represents a double translation of either soul or heart, and is not intended to be the sexual act as such.

In fact, the listing of three (or four) faculties is intended to indicate totality. The law of Moses commanded the Israelites to love God with all their faculties, and Jesus confirmed this. It is good that on this point, Jews and Christians are in agreement, and surely the same applies to adherents of other faiths.

Yours sincerely,

BARNABAS LINDARS, SSF,

Faculty of Theology,







Department of Energy to be given names of companies denied supplies

## Campaign against gas monopoly

Chemical industry leaders expect soon to be able to provide the Department of Energy with detailed examples of cases in which companies have been refused a gas supply.

The names of the companies will not be made public, but it is hoped that their experience will demonstrate that the inability of British Gas to meet industrial demand is restraining investment and job creation.

Last February, the House of Commons was told that altogether 4,000 companies were waiting to be connected.

It is understood that the department will also be given estimates of likely regional demand for gas supplied by industrial producers by an independent distribution system.

The information has been gathered, largely at the request of energy ministers, to support radical proposals by the Chemical Industries Association that the Government break the British Gas monopoly in buying, moving and selling gas in the United Kingdom.

This would give potential suppliers from the private sector an opportunity to provide a new network for industry. It was suggested at a meeting with Mr. David Howell, Secretary of State for Energy, earlier this year, that this might serve highly concentrated areas of indust-

rial demand such as the North-west, the Midlands, the Northeast, and central Scotland.

The association, which represents an industry with an annual turnover of about £15,000m, sees the ending of the British Gas monopoly as part of the long-term solution to supply problems.

It estimates that there will be a shortage in supplies to the gas chemicals industry by 1983 of about 200 million therms a day. Because of past and existing obligations to the domestic consumer, industry has found itself increasingly short of supplies.

In the first nine months of the past year, for example, 935 million additional therms became available, but of that total only 32 million went to industry.

The Government and the British Gas Corporation acknowledge that because of the very large increase in domestic demand it has been unable to meet industrial requests for supplies.

It has expressed interest in the chemical industry's proposals, but asked the association to provide further details, Mr. Martin Trowbridge, director general of the association, explained.

Plans are also to be held next week with the United Kingdom Offshore Operators' Association over the feasibility of an independent distribution scheme.

In the past companies have been reluc-

tant to admit that they had been refused a supply because they feared that it might delay further a connexion. But it is known that demands by the Swiss-based Roche group for gas to power its new vitamin C plant at Dalry in Ayrshire could not be met.

Mr. Trowbridge emphasized that his association members were not planning to go into the gas supply business, although some of their parent companies, with North Sea interests, were watching developments.

"What we are seeking is a change in the law to allow potential independent operators the opportunity to act should it prove commercially feasible."

Chemical industry leaders have held several meetings with British Gas over both the availability of gas and its price. They believe that, but for the mildness of the winter and the generally low level of industrial activity, consumers on "interruptible" contracts may have faced hardship because of supply cuts.

They have also argued, inconclusively, that British industrial gas users are at a price disadvantage against overseas rivals.

Part of the answer to both availability and price problems faced by industry, they believe, lies in raising domestic tariffs.

John Hurley

## Bank invests £5m in small businesses

By Peter Hill

Barclays is to invest £5m in small industrial premises to be built in assisted areas. The bank will acquire sites from the English Industrial Estates Corporation and finance the building work which will be done by the corporation.

The bank is the third major private sector investor in the European federation of chemical manufacturers said.

The corporation began after a report published earlier this year showed there was a significant shortage of small industrial premises throughout the country.

Since the report was published, £25m has been raised to build these small units and £28m of this has been provided by the private sector. In February, the Legal and General Assurance Company put up £5m for the development of more conventional industrial units in the assisted areas and last month CIN Properties offered £15m. In return for the investment the private sector companies will control the freehold of the properties and retain control of the rents.

Mr. David Mitchell, Parliamentary Under-Secretary of State for Industry welcomed Barclays' involvement in the venture. He said that it would pay for the construction of at least 200 much needed nursery units.

## US fibre imports a long-term challenge

By John Hurley

Their remarks come as the EEC is poised to take anti-dumping action against certain man-made fibres from the United States. Earlier this year, the Commission agreed to unilateral action by Britain against imports of two forms of synthetic fibre, polyesters filament and nylon carpet yarn. The British producers had argued that domestic markets had been disrupted, mainly by American imports.

Dr. Kurt Lanz, the West German president of CEFIC, the European federation of chemical manufacturers, said that "problems" posed by artificially low energy and feedstock costs enjoyed by American producers would reduce.

At the same time, the challenge from other American firms first felt in fibres but more recently in plastics and other bulk chemical markets would be moderated. However,

he said that because of other production advantages in the United States in fibre production, European producers would remain under pressure.

Dr. Lanz, who is also deputy chairman of Hoechst, the West German chemicals company, added that action taken by Britain to stem imports of fibres, especially from the United States, would not yield results. The quotas agreed by the European Commission were above the effective import level, he said.

Both Dr. Lanz and Dr. Rolf Sammet, chairman of Hoechst, hinted that they would oppose attempts to persuade the Commission to protect western European producers.

## CBI urges faster metrication

By Our Industrial Staff

Employers' leaders will seek to persuade the Government to press ahead with metrication when they meet Lord Teichard, Minister of State, later today.

The Confederation of British Industry says that failure to complete the transition—which will be slowed by the abolition of the Metrication Board this week—could cost industry many millions of pounds—possibly as much as £1,100m a year.

The delegation, led by Mr. Bryan Rigby, deputy director general of the CBI, is expected to tell the minister that unless a firm lead is provided by Government the switch will not be completed for at least another 20 years.

"Industrial companies cannot change on their own. Changing depends on customers as well as suppliers, and needs at least a minimum of cooperation," Mr. Rigby said last night.

The CBI is particularly concerned that once again the country and industry in particular is being plunged into uncertainty.

Pressure from industry was largely responsible for the establishment of the metrication programme and the launching of the Metrication Board 11 years ago.

It was intended that manufacturing industry would have reached 75 per cent metrication by 1975; in fact, industrial observers say that progress has been made only halfway.

Mr. Jack Whiteley, who leads the CBI's metrication panel, has recently completed a survey of more than 5,000 engineering companies which suggests that the sector is only 45 per cent of the way towards completing the switch from imperial measures.

Tests are carried out on dynamically accurate models in all weather conditions likely to be encountered. Laboratory conditions are created to simulate the worst storms that statistics indicate will occur in any 100 year period. Addi-

tionally, the CBI survey suggests that 44 per cent of plant bought by manufacturing industry in 1979 was still built to imperial measures. As much of the plant has a life of more than 20 years, it means that total transition cannot occur until at least the turn of the century.

## Problem with 'Limited'

From the Principal, The British School of Osteopathy

Sir, I understand that the Department of Trade has issued a Consultative Document concerning some proposed changes at Companies Registration Office. It is proposed to make these changes part of the Government's economic drive.

One of the proposals made is that "the department will no longer authorise any company to omit the word 'limited' from its name; private companies already holding dispensation should be required to add 'limited' to their names after another two years."

Besides the undesirability of such a measure, per se, I cannot see how, in fact, that discontinuance of a departmental authorisation will result in great, if any, real economies and, indeed, if the latter part of the proposal is also implemented, surely the cost to public funds will be at least as high as it is now, if not higher.

Yours faithfully,  
S. F. G. BRADFORD,  
Principal.

The British School of Osteopathy,  
16 Buckingham Gate,  
London SW1E 6LB.

## Comparison of British and US banks

From Mr. David Jessop

Sir, Mr. J. A. Harton attacks British banks for being "competitive" and "monolithic" and suggests that banking in Germany and the United States better served than its British counterpart (April 29).

The argument is not one: there are, for example, 14,000 banks in the United States, therefore *ipso facto*, Americans have a wide choice of banking facilities and competition among these institutions minimizes costs to the customer. Sadly, this is on theory and the multiplicity of banks only a quirk of American history.

In small towns rural areas the average American can access usually to three small banks, which charge higher borrowing rates than the larger multinationals. In New York, Chicago, San Francisco and other cities the banking scene is similar to that in the United Kingdom as a whole—a handful of banks dominate the market and offer similar services at similar prices.

The banks in this country offer a sophisticated service which the United States cannot match. If Mr. Harton is in doubt about this let me assure him the sheer impossibility of writing a cheque in the United States which is drawn on a bank in another state. Any resident of Great Britain will immediately realize that at least four major national banking networks something unobtainable most Americans.

Of course, there are problems, long queues at the like, but hopefully it can be settled on a local basis. Small banks also have longer queues. And I agree British banks do offer "unfriendly" services to customers, this might be one of the whole British attitude to business and service. As working person knows most services are at "uncompetitive hours"—solicitors' departments, libraries, etc. The list is endless.

Yours faithfully,  
DAVID JESSOP,  
57 Abbotsford Gardens,  
Woodford Green,  
Essex IG8 9RP.  
April 29, 1980.

## Dealing with bad payers

From Mr. Duncan Woolard

Sir, It was so saddening, but surprising, to read Mr. T. H. Harton's letter (April 28) that employers are evidently aware that they could easily and very quickly resolve flow problems by putting "Big Boys" in the court; no solicitor is needed.

The procedure is simple: the debtor is informed of the intention to take him to court, the adverse publicity is enough to produce prompt payment before any hearing place. In fact, a telephone call to the debtor's office informing the debtor of the intention to take him to court, court may even end.

I hope this advice is no late; if Mr. Harton wishes to confirm this, any City Advice Bureau will be glad to advise him.

Yours faithfully,  
DUNCAN WOOLARD,  
23 The Middlings,  
Sevenoaks, Kent.

## Offshore structures tests

From Mr. Ian McDonald

Sir, Mr. Graham Whiting (April 24) may take some comfort from the knowledge that the model testing of offshore structures is rightly regarded as an essential ingredient in a structure's design. A number of laboratories and test establishments, including our own, are deeply involved in model testing of offshore structures throughout their design phase.

Tests are carried out on dynamically accurate models in all weather conditions likely to be encountered. Laboratory conditions are created to simulate the worst storms that statistics indicate will occur in any 100 year period. Addi-

tionally, the CBI survey suggests that 44 per cent of plant bought by manufacturing industry in 1979 was still built to imperial measures. As much of the plant has a life of more than 20 years, it means that total transition cannot occur until at least the turn of the century.

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# THE TIMES

## BUSINESS NEWS

Stock markets	
FT Index	443.2, up 2.8
FT Gilts	67.27, up 0.05
Sterling	
S2,260, up 15 points	
Index 72.9, up 0.3	
Dollar	
Index 86.8, unchanged	
Gold	
\$497.50, down \$17.4	
Money	
3-month sterling 17.1, -17.4	
3-month Euro-S 131.14/-	
6-month Euro-S 134.14/-	

## IN BRIEF

### Improved offer to bank clerical workers

Bank employers conceded marginal improvements in their 19 per cent pay award to nearly 100,000 clerical workers last night.

Staff associations representing employees at National Westminster, Lloyds and Barclays Banks are unhappy with the new offer and the Banking Insurance and Finance Union is to hold a special executive meeting next Tuesday to discuss the employers' latest move.

The banks' offer, which is aimed at correcting differentials in pay rates, includes improvements in back-dating payments to certain grades. The previous offer was rejected by the staff associations and BIFU.

## Arab oil price rises

Unconfirmed reports yesterday suggested that both Kuwait and Saudi Arabia were about to put up prices. Saudi prices are expected to rise at an open meeting next week and Kuwait is said to be imposing a \$2.50 a barrel surcharge.

## Consumer spending up

Consumer spending rose by 2.25 per cent in the first quarter of this year, according to official figures released yesterday.

Table, page 25

## Exports recover

British exports to Nigeria, which slumped by about £500m in 1979, have recovered. Sales in the first quarter were £250m. Mr John Nott, Secretary of State for Trade, leaves for a visit to Nigeria on Monday.

## House prices higher

House prices in the first quarter rose by 3.1 per cent to an average of £22,400. New houses are more expensive at an average of £36,200, having increased by 6 per cent in the first quarter compared with the 3 per cent rise in second-hand houses.

## More US dealings

Deals in the 120 American stocks listed on the London Stock Exchange have more than doubled since October when exchange controls were lifted. Mr Nicholas Goodison, the exchange chairman, told analysts in Boston, told

Arab aid to Turkey

Saudi Arabia is to give Turkey a cash credit of \$30m (£110m). Mr Suleyman Denizli, the Turkish premier, announced.

## 4.5m power contract

Brush Electrical Machines will supply 10 sets of electrical power equipment for the new NPT high-speed passenger trains to operate between Canberra and Sydney. The contract is worth £4.5m.

## Rhodesian assets

Mr Nigel Lawson, Financial Secretary to the Treasury, told MPs that remaining Rhodesian assets in the United Kingdom were probably more than £100m.

## Wall Street down

On the New York Stock Exchange the Dow Jones Industrial average closed 8.27 points down to 808.79 in trading over 20 million shares. The dollar against the SDR was 1.2946, while the pound was 0.5725.

## PRICE CHANGES

## Rises

Boo H. 15p to 145p  
Furnett & H. 15p to 55p  
Cater Ryder 15p to 35p  
Hawes & Curtis 15p to 35p  
Hunting Gibson 15p to 105p

## Falls

Blythfont 35p to 30p  
Doorfontain 65p to 51p  
East Daga 5p to 85p  
Guthrie 25p to 75p  
Lester 5p to 115p

## THE POUND

Bank	Bank
Australia S	2.45
Austria Sch	20.25
Belgium F	69.25
Canda Kr	2.71
Denmark Kr	13.09
Egypt DM	8.89
France Fr	9.70
Greece Dr	4.23
Hongkong \$	36.50
Ireland £	1.12
Italy Lira	4975.00
Japan Yen	555.00
Netherlands Gld	4.65

### Post Office plans to spend £1,500m a year on improved telephone service

By Kenneth Owen

Technology Editor

The Post Office is planning an "unprecedented" effort to improve the quality of the telephone service over the next five years. Mr Peter Benton, managing director of Post Office Telecommunications, said yesterday: "It will cost £1,500m a year to expand and modernise the network and customers' telephones."

Between now and 1990, a 50 per cent increase in the size of the telephone network was envisaged, Mr Benton said. There are 17 million customers and 27 million telephones at present, making the British telephone system already one of the largest in the world.

Last year the Post Office telecommunications business had financed its development programmes entirely from retained earnings, he said; but for this year it needed to augment this by external borrowing.

The modernisation which goes against the line of government policy towards the public corporations at present, is being discussed with the Department of Industry and the Treasury from which approval must be obtained.

Mr Benton described the plan as "a attack on the problem at the roots; we intend to improve service permanently, and we will not content until Britain has the finest telecommunications service in the world".

There were still difficulties unresolved, he added: "But we have the will and the ability to overcome them".

Mr Benton announced an eight-point plan to improve the service. We intend to improve service permanently, and we will not content until Britain has the finest telecommunications service in the world".

There were still difficulties unresolved, he added: "But we have the will and the ability to overcome them".

Mr Benton announced an eight-point plan to improve the service.

1. Modernising and replacing with electronic exchanges the old electromechanical exchanges in use throughout the country. Top priority is to be given to replacing those which are unsatisfactory because of old age or equipment failure.



Mr Peter Benton: intention is to improve service permanently

"Now facilities are to be offered to customers on all exchanges progressively, starting this year.

2. Identifying trouble spots in the local cable network and replacing plant which did not meet high performance standards. A total of £35m was spent on this last year and £42m would be spent in 1980-81.

3. Improving the reliability of the standard telephone. Improved models and better components for existing models are to be introduced. More than 25 million standard telephones are to be replaced or improved, at a cost of £25m over the next four years.

4. Improving the payphone service. By 1985 all 77,000 public payphones will be replaced by modern designs, and all 400,000 payphones will cost £2400 each by 1988. This will cost

5. Improving the international service. This is already one of the most advanced in the world, Mr Benton said, with 96 per cent of customers of Britain's postal business.

international automatic service available to dial abroad. "We are in the middle of a drive to improve the international operator service which is beginning to show results."

6. Improving the speed of reaction to customer complaints, by delegating responsibility and authority for action to individuals. "The old civil service management style in headquarters has been swept away and the business reorganized on commercial lines", he said.

7. Improving purchasing methods to enable the corporation to derive maximum benefit from its purchases.

8. Removing causes of staff dispersion and encouraging a dedication to customer service.

The Post Office had promised the Government to reduce the real cost of its telecommunications services to the customer by an average of 5 per cent a year between 1978 and 1982, Mr Benton concluded. "So far we are ahead of target."

Mr Ron Dearing, who officially took over as chairman of Posts and the National Girobank yesterday, said that the postal business was entering a crucial period.

"It has faced a lot of criticism over the last year and, with 30 per cent of its costs in wages, is vulnerable to increases in inflation, and it has been short of staff" in some important areas. However, he hoped that recent agreements with the Post Office unions would improve recruitment and allow more flexible working arrangements to be introduced.

"But this must be regarded only as a beginning", he said. "With new competing technologies, the postal business is facing growing competition."

Mr Dearing, who was previously a deputy secretary at the Department of Industry, said that, given a wholehearted response at all levels, he could be confident in the future of the postal business.

### Doulton's £24m offer secures Fairey

By Andrew Goodrick-Clarke

Financial Editor

S Pearson's industrial subsidiary, Doulton, has won the National Enterprise Board's auction of Fairey Holdings with an offer of £23m.

The NEB opted for Doulton's bid, none of which will be paid in cash in the face of a last-minute attempt yesterday by the other bidder, Hambrus.

Hambrus, backed by a number of institutional investors, had a firm bid on the table worth £20.5m. This was the

offer the NEB matched against Doulton's, apparently leaving Hambrus could have put up a package worth £23m.

Mr Christopher Sporborg, of Hambrus, said last night: "For the sake of a premium of under 5 per cent, it strikes me as sad that the NEB did not consider it reasonable to give us a chance."

"Knowing that the preference of the company was to remain independent, knowing we planned to give participation to the employees; knowing that the present Government doesn't like con-

glomerates, and since there is no real industrial logic in the Doulton offer, it just seems sad to me."

An NEB spokesman said that Hambrus' offer was "the highest acceptable bid and it offered a clear, satisfactory

bid". On the other side, Hambrus, which in February initiated the auction with an unsolicited bid of £20.5m, was upset that its offers had been rejected.

Fairey, the nuclear engineering, aerospace components and bridge building group, has been owned by the NEB for just

over two years. Under its present management it has staged a remarkable revival.

S Pearson, a holding group with interests in publishing, oil, ceramics, wholesale engineering and leisure, wanted

Fairey to create a better balance for its engineering interests.

Fairey will become a direct subsidiary of Pearson's industrial

subsidiary, which the board of Fairey will remain unchanged as its chairman. Mr Murray will continue as its chairman. Mr Murray and Mr Kenneth Bacon, Fairey's chief executive, will join the Doulton board.

By Nicholas Hirst

By Nicholas Hirst

for Maple

By Rosemary Upshur

The board of Maple Holdings, the furniture chain renovated for its Tottenham Court Road store in London, revealed yesterday that it may receive a takeover bid from a second suitor.

This is the seventh round of licensing since the start of the system in 1984. It is about 20 blocks more than was originally planned as a result of requests from the offshore industry for more exploration acreage, and includes two new features and one important change from the fifth and sixth rounds of the previous administration.

Oil companies will be able to choose any block they like within a designated area among the most vulnerable area of the North Sea where most funds have been made, and Esso will be charged for unused share capital for any bid.

Waring's "improved" offer values Maple at £29.7m, compared with its first offer of £8.4m.

Morgan Grenfell, Maple's financial adviser, said yesterday that it would not expect another bid to materialise much before the final closing date of May 21 for Waring's offer.

House of Commons' advice, which has been climbing all week, gained 5p yesterday to 149p after a large order from Europe.

Mr George Willoughby, Fraser's finance director, said that he was busy yesterday dealing with the group's other problems rather than investigating Maple's property portfolio.

### Licences for 90 N Sea blocks in seventh oil exploration round

By Nicholas Hirst

for Maple

By Rosemary Upshur

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"The decade ended on a high note, with premium income, bonuses to policyholders, and profits from our general business all substantially increased."

DESMOND E. LONGE MC DL  
CHAIRMAN NORWICH UNION INSURANCE GROUP

# REAL GROWTH for NORWICH UNION

## Protection for Life Policyholders

With increased annual bonus rates and a special bonus declared for 1979 we can claim, to have protected our longer term individual and pensions policyholders from the effects of inflation—even ignoring tax relief on premiums.

During the year £220m. new money was invested on behalf of the United Kingdom Life policyholders: £90m. in Government stocks; £53m. in ordinary shares and £51m. in real estate.

Once again, our increase in new annual premiums in the United Kingdom, at 21 per cent, exceeded the market average and this after a really exceptional performance in 1978. Our overseas new premiums, measured in Sterling, expanded by 9 per cent, but the figure would have been 17 per cent at constant rates of exchange.

## Summary of Group Results for 1979

	1979	1978
LIFE		
TOTAL PREMIUMS: Annual	£260.0	£221.8
Single	38.8	40.7
	298.8	262.5
New Annual Premiums	64.8	54.4
Surplus available for distribution (including £41m. transferred from investment reserve in 1979)	112.4	63.0
COST OF BONUSES: Annual	59.6	46.6
Special	38.2	—
GENERAL		
PREMIUMS WRITTEN	198.5	154.4
Underwriting Profit	2.6	1.6
Investment Income	32.5	23.6
Share of Associated Companies profits	3.4	4.1
Expenses not charged to other accounts	(2.2)	(1.2)
PROFIT BEFORE TAXATION	36.3	28.1
Taxation	(15.1)	(12.4)
NET PROFIT	21.2	15.7
Dividends	8.8	6.3
RETAINED PROFITS	12.4	9.4
GROUP ASSETS	3,031.0	2,623.0

## Banking

Norwich General Trust had an excellent year, granting 425 loans to commercial and industrial companies and increasing pre-tax profits by 47 per cent. The net dividend paid to the Life Society amounted to £1.5m.

AP Bank, whose international trade finance and foreign exchange facilities continued in good demand, had a satisfactory year and paid a net dividend of £0.8m.

## Norwich Winterthur

During 1979 our joint venture with Winterthur Swiss and Chiyoda of Japan continued to develop satisfactorily, with the Fire Society's 45 per cent share of the profits amounting to £2.3m.

The Annual General Meeting of the Norwich Union Life Insurance Society will be held on 13th May 1980 in Norwich.

Copies of the Directors' Report and Group Accounts and the Chairman's full Statement may be obtained from the Norwich Union Insurance Group PO Box 48 Norwich NR1 5TA.

## Staffing

Against the background of an ever growing number of Life and Fire Society policyholders, our staff in the Home organisation increased by 5 per cent during the year to 8,083, though the expense ratios of both Societies were reduced.

We are in business to take risks, but the extreme uncertainties of today make our business infinitely more difficult. I readily acknowledge the support and enthusiasm of all those who have contributed to our success and who, like me, are determined that it should continue.

**NORWICH UNION INSURANCE**



## FINANCIAL NEWS

### Stock markets

## Oils lead buoyant trading

After a cautious opening when the equity market drifted downwards for a hour or so, activity picked up on the oil's pitch once again and set the pace for the other sectors throughout the rest of the day. The influence of Wall Street's rally the previous night helped sentiment, pushing the market up for the fourth day running.

Analysts are disagreeing with the view taken by W. H. Smith of a recovery, this year, in the newspaper and book wholesale divisions following recent disappointing figures. Continuing production losses by most newspapers throughout the country has meant earlier profit forecasts of £23m. downgraded to £18m. The shares were unchanged at 142p yesterday.

Government stocks, after their recent good run, were quieter in the morning with the news of the rise in German interest rates. But dealers reported more business after lunch as buyers came in before the weekend, wondering if there would be a new rap issue.

The continuing fall in United States prime rates also generated interest, though the result that longs, which were £1 up at noon, finished between £1 and £1 better throughout the list. Shorts, which were quieter all day, saw a flurry at the end as investors saw how the rest of the market had performed, and they closed £1 and £1 up with variables £1 improved on the day.

Company results also provided some interest in equities and the FT Index closed at 443.2, up 2.8, having climbed steadily during the afternoon.

Most of the leading industrial stocks were firm, showing gains of a couple of pence. Unilever was one exception as it climbed 6p to 421p, and BAT Industries, which published its results on

Wednesday, advanced by the same amount to 251p. ICI at 368p, and Glaxo at 20p, were 2p better while Fisons at 285p, and Beecham at 119p were 1p up. Buyers came in for Dunlop, although turnover was small and it finished 2p better at 60p. Courtaulds, which is due to announce its results and a maintained dividend this month went ahead by 1p to 69p.

Higher profits were good for Hunting Gibson, which went from 91p to 105p while Davies & Newman celebrated better profits and a sharehandout to gain 15p to 131p. Henry Boot responded to return to profits with an improved dividend by gaining 28p to 145p. But in buildings, Wimpey dropped 3p to 701p with lower-than-expected earnings, whereas Aberdeen Construction gained by the same profits. A loss and no dividend amount to reach 94p with better car Martin-Black 2p to 15p.

Investment interest pushed Sotheby's up 7p to 435p while Ferries' property deal in Denver added 7p to the price at 130p. Waring & Gillow advanced 1p to 11p following Maple's rejection of its improved offer, but Maple, which is awaiting a new bid from another group, was better than Waring's company unchanged at 351p; 3p better than Waring's new offer price. S. Pearson's bid saw Fairley's price shed 2p to 206p.

Trade was bubbling on the oils pitch with Lasson responding to a bullish annual report by moving up 18p to 571p, and Ultramar with results due next week made the running by gaining 20p to 672p. Barham gained 6p to 208p after lagging behind the other stocks for a few days.

Rumours over the issue of the seventh round of North Sea licences in September generated national interest and kept prices firm, although dealers believe that prices are probably near their peak. Carless Capel was still benefiting most from its Hampshire drilling.

### Latest results

Lot or Fin	£m.	£m.	Earnings	Div	Pay	Year's
Bellair Cosmetics (F)	2.6(2.7)	0.11*(0.04*)	2.6(2.46)	nil(mil)	—	—(2.5)
H. Boot (F)	32.0(78.0)	2.23(3.7)*	49.1(33.1)	10.0(—)	—	13.0(2.5)
Batr Brw (Whm) (F)	13.4(12.2)	1.0(0.89)	—(—)	3.3(—)	7.7	4.5(3.9)
Davies & Newman (F)	129.4(117.5)	—(—)	76.9(25.9)	6.92(5.43)	31.7	10.0(8.15)
Guardian Invst (F)	—(—)	3.6(2.6)	4.6(3.1)	3.4(0.14)	4/7	4.6(3.9)
Gullane Corpn Invst (F)	—(—)	0.7(0.146)	2.8(1.23)	1.2(—)	—	2.2(2.0)
Hunting Gibson (F)	12.44(12.86)	1.31(0.42)	30.73(11.29)	3.0(1.25)	7.7	4.5(1.28)
Lat Intern Trust (I)	—(—)	0.006*(0.002)	—(—)	nil(mil)	—	—(—)
Lontain Gcp (F)	0.73(—)	0.06(—)	—(—)	—(—)	—	—(—)
Martin Black (F)	14.0(13.9)	0.44*(0.17)	0.5(2.0)	nil(1.0)	—	nil(2.8)
M. Mowlem (F)	190.22(163.68)	5.72(5.92)	25.0(27.91)	6.23(5.61)	—	7.98(7.26)
Newarthill (F)	163.0(147.0)	10.0(9.26)	25.3(27.47)	6.0(5.32)	21.6	6.0(5.32)
Platinum (F)	10.9(9.81)	0.33(0.65)	—(—)	0.44(—)	—	—(—)
Shiloh Spinners	9.4(8.4)	0.06(0.29)	—(—)	1.07(1.07)	19/6	1.82(1.82)
Senna Rubber (F)	—(—)	0.50(0.59)	—(—)	0.62(—)	—	1.12(1.12)
W. Williams (F)	9.0(8.5)	0.20(0.13)	—(—)	7.0(5.0)	2/7	—(—)
Wexxys Invst	—(—)	0.65*(0.58)	18.4(15.4)	1.2(—)	7/7	1.85(1.68)
Wire & Pipe Prd (F)	2.3(1.9)	0.42(0.37)	6.62(5.54)	1.5(—)	4/7	2.25(2.19)
G. Wimpey (F)	1.004(853)	47.3(57.2)	16.0(17.8)	4.0(3.6)	2/7	3.75(—)
Und Wire (I)	7.56(6.65)	0.53(0.65)	—(—)	—(—)	—	—(—)

Dividends in this table are shown net of tax on pence per share. Elsewhere in Business News dividends are shown on a gross basis. To establish gross multiply net dividend by 1.428. Profits are shown pre-tax and earnings are net. \*loss. +estimate. +includes special of 1.5 paid in 1979.

## Hunting Gibson shares hit peak

By Peter Wainwright

No company was so strongly up the upturn as Hunting Gibson, and yesterday's 175p figure was good enough to send its shares climbing 15p to 106p, new peak for the year and we away from the 1980 low 70p.

The immediate reason was the decision to pay a final dividend of 3p a share, making 4.50p net or 6.43p gross, leaving the previous year's 1.28p the shade.

Hunting c well after it only absorbed £550,000. Profits attributable to ordinary shareholders were high at £2.23m.

The big about-turn came shipwreck and ship management (from losses of £572,000 to profits of £230,000 on smaller business) and in oil and air-broking where profits soared from £690,000 to £1.21m.

Industrial painting arm marked time at £16,000. Finally, up went Hunting's share of profits in associates (it 30 per cent of Hunting Petroleum Services) from £849, to £1.19m.

Hunting rid itself of a stone when it sold MV T Bridge last August, but trade recovery was presumably more sedate from then on. Hunting describes the latest profits as "somewhere near acceptable". In 1974, pre-tax profits were as high as £3.5m.

Newarthill, which owns civil engineering and party group, Newarthill, up the ground lost in the half due to bad weather finish the year to October with profits up by 8 per to £10m. Second-half profits were over a quarter higher after a 5 per cent drop in the first stage.

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Mr. Robert McAlpine cons

tion companies and is controlled by the McAlpine family, is comparing a dividend of 8.57p a

compared with 7.61p in 1979.

The dividend has risen despite a fall in attributable profits due to a higher charge. Tax took £5.63m as £4.55m in the preceding year.

As a result, earnings

share were 8 per cent lower than four times.

Group turnover in 1979 was 11 per cent higher at £

At 205p, Newarthill st

yield 3.4 per cent and the ratio on stated earnings is

**M&G**  
**REINSURANCE**

"The Company enters the 1980's in sound financial condition"

Mr. D. M. C. Donald, Chairman

In his annual statement published with the accounts for the year ended 31st December 1979,

Mr. D. M. C. Donald, Chairman, refers to the surplus capacity in international reinsurance markets. Although 1979 had its share of substantial losses, the absence of major disasters coupled with continuing inflation and high interest rates combined to encourage some companies to write for premium income rather than underwriting profit, thus depressing premium rates and making it more difficult for reinsurers to accumulate the reserves necessary to provide the complete security which insurers need and expect.

At home the abolition of exchange control restrictions was welcome but the relief remains incomplete whilst the governments of the countries with which we trade continue to restrict the free flow of funds across national frontiers, so essential to the efficiency of an international reinsurance service.

Whilst the energy crisis, which was of such concern a year ago, has eased, the very significant increases in the price of oil have affected national economies throughout the world and accelerated recession. Particularly worrying has been the continuing weakness of the U.S. economy. This, and the further strengthening of Sterling against most foreign currencies, has had the effect of obscuring the real growth of our business, of which approximately two-thirds emanates from overseas.

Turning to the Group results General Branch premium income net of retrocession for 1979 amounted to £135 million, showing a decrease of 3% reflecting the strength of Sterling in relation to our overseas production. Life and Annuity and Continuous Disability premium income of the Group, net of retrocession, increased by 13%. The non-Life underwriting transfers showed a deteriorating trend which was offset by a substantial increase in investment income.

New Life sums reassured of just over £3,000 million were written by the Group, producing new annual premium income of £14.4 million, representing increases of 18% and 12%, respectively over the 1978 figures. The United Kingdom continues to be the largest single Life market for the Group, accounting for nearly half the total production. Elsewhere, encouraging growth has been shown in Canada and South Africa but production in Australia has been static, reflecting the state of the Life Assurance industry there. In the U.S.A. our expansion in the Life field continues with production nearly double that for the previous year.

The Chairman then refers to the

BY THE FINANCIAL EDITOR

## Controlling silver after Bunker Hunt

Only a few weeks after recovering from the hammer blow of the Hunt brothers' indebtedness, the silver market has received another setback. Yesterday's slide in prices reflected dismay not just at remarks by Mr Paul Volcker, chairman of the Federal Reserve, and by Mr James Stone, chairman of the Commodity Futures Trading Commission, but also at the prospect of the Hunt camp unloading yet more silver.

That should be enough to keep prices depressed and trading at a low ebb for some while.

Both Mr Volcker and Mr Stone strongly urged that the United States futures market should be even more tightly regulated than it is at the moment. And already the CFTC has taken the first steps in disciplining foreign operators by banning a Swiss Bank, which had refused to disclose information about its silver dealings, from trading in the United States commodities markets.

Some brokers argue that a demoralized market could well be destroyed by too stiff rules on margins, position sizes, and bank financing. While this is probably an exaggeration, the evidence from recent trading in silver suggests that smaller investors have been scared away.

Tougher financial requirements are unlikely to bring them back, at least not until the outlook is much more enticing.

Better changes either in the law or in the enforcement of existing powers held by the United States authorities will take time to produce results. Equally, they have no direct bearing on the London market, which under the watchful eyes of the Bank of England and its own policing mechanism seems to be better behaved.

What is depressing investors and the market at present is the threat of unspecified but considerable amounts of silver being sold, as the Hunts try to liquidate debts still put at as much as \$1,000m.

The present arrangements are that a consortium of American banks has lent a Hunt company, Placid Oil, about \$1,000m with which the brothers can restructure their debts. But it is unclear whether this means that physical silver will be released, and if so, how much. An additional worry is that the very high interest rates being charged on the loans to the Hunts could prove unsustainable, thus precipitating another crisis.

The irony is that those banks which, without arm twisting by the United States authorities, are putting up the funds for the Hunts, could find themselves in the same dilemma as their clients did six weeks ago: trying to sell silver into a weakening market which their sales are exacerbating. Faced with such uncertainty, even big investors are staying out of the market.

But there is a silver lining. Yesterday's London Metal Exchange closing cash price for silver showed a fall of 54p an ounce to 54.65p. The trend was echoed in New York, where futures prices fell by their permitted maximums. Although these levels are \$4 or \$5 an ounce above those of a year ago, they are lower than big industrial buyers had anticipated.

Such buying as the market is seeing is therefore from industrial users of silver. Further weakness could tempt back a few large speculators prepared to take a long view. But until the news from the United States is clearer, silver is likely to stay depressed and quiet.

Commodity ructions are nothing new but at the end of the day they undermine confidence. The United States markets can take the silver upset in their stride but they could do well to remember the way the Paris markets were destroyed following the white sugar scandal a few years ago.

### George Wimpey Looking through a disappointing year

Despite a strong recovery in operating profits after the weather-hit first-half George Wimpey has finished the year with a pretax profits fall of almost £10m at £47.3m.

The market, expecting around £50m did not take that kindly, but it was more disappointed by the dividend news. Although payments, including a retrospective special distribution for 1978, have effectively increased five-fold since the reconstruction, Wimpey could have done better than total 1979 payments of 3.2p gross—more than seven times covered on stated earnings.

On the profits front, disappointment was due partly to the interest rate squeeze—

interest costs more than doubled to £12.6m—and Wimpey's caution, in not including profits on contract-and-housing work which it feels is not sufficiently advanced due to bad weather delays.

Given the current outlook in both housing and contracting Wimpey will presumably be grateful for this delayed flow in the current year. At the moment much depends on the interest rate picture and the effect this will have on the all-important mortgage scene. "Wimpey plans to maintain building at the 11,000 homes' mark and hopes the mortgage outlook improves—although at the bottom end of the market the group is finding the going easier than most."

Even so, the outlook for the current year is unexciting with best hopes for a recovery to £52m. Longer-term of course, Wimpey is an interesting prospect. Without the aid of revaluations the property portfolio in this year's accounts will be significantly above last year's £35m and rental income should be sharply higher than the 1978 total of £2.9m.

Last year's rise in interest costs was largely as a result of the group's heavy investment in land for housing, commercial and industrial property all of it with one eye on the stock relief provisions. Significantly tax and interest costs together rose only £1.2m to £19.2m.

Wimpey's shares—down another 3p to 70p, now yield 4.6 per cent and sell on 4.4 times earnings rising to just under eight fully-taxed, which adequately reflects the market's fears about short-term prospects.

But it may not be many months before the locked-up potential on the property side is more fully recognized and the shares could then start to recover lost ground.

• There has been an increasing amount of talk recently of MLR being lowered in the near future. The market has latched on to the precipitous fall in dollar interest rates, the easing of the longer period rates in the United Kingdom money markets and suggestions that ministers may be responding to pressure from industry for a quick cut in interest rates:

There has even been talk that next week's April banking figures may be good enough to justify an early cut in MLR. We shall see. Those who try and predict that rates will or will not fall on any particular date generally finish up with their heads lopped off, but unless political pressures for a cut in MLR are considerably greater than seems apparent, then a cut in the rate before June or July would seem premature.

For a start the bank lending figures and other economic indicators need to be totally convincing. Secondly, there is still a vast amount of money market "help" to be unwound. Thirdly it would be surprising if those responsible for government funding would welcome an early cut in MLR. Far better to get two bites at the cherry, selling a first tranche of gilts on the back of market expectations, followed by a second tranche on the back of the reality of falling rates.

### Fairey Pearson's prize

Hambros' initiative in making an unsolicited bid for Fairey and thus forcing some action out of the NEB on the sale of the company, has ended with a bitter defeat for the bank. Pearson's £24m offer has won the day. It was high enough to knock out other potential bidders and the only other actual one, Hambros, which was talking about a package worth £23m yesterday morning. The NEB though wanted bids on the table, and Hambros' firm final offer of £20.5m was clearly outclassed by Pearson's.

So the taxpayer's interest has been satisfied. Whether the company's best interests (the other condition which the NEB had to satisfy itself about) have been achieved will continue to be a matter of debate.

Certainly Hambros and the management of Fairey believed at the outset that the company should remain independent and that the Hambros offer of an institutionalised bid, with a view to returning Fairey to the market in a couple of years, was attractive. Perhaps, though, the NEB thought that further period of uncertainty for the company and its employees was not in its best interests. Anyway, Pearson has added a substantial new engineering arm and paid around 8 times forecast earnings for it.

In this project the defence research benefit is spread over a number of companies—MSDS for the guidance computer, Marconi Avionics for other parts of the guidance system, Sperry for the steering Chloride for the highly potent electric battery, Lucas Aerospace for space for propulsion electric motors and Plessey for large-scale-integration (LSI) computers.

Experience gained in writing the software for the Sting Ray control system is expected to help GEC (Marconi's parent organization) in applying computerized control to industrial processes. Plessey, too, enjoys a commercial spin-off from the low-power-consuming Marconi Avionics system currently being developed for the military.

In radar equipment, also,

there is much sharing of technology between civil systems for air traffic control and military systems. For warning of enemy attack: The apparent intention of the Civil Aviation Authority to place a large forthcoming radar contract with a foreign company, in preference to a joint bid by GEC-Marconi and Plessey, is jeopardizing the British companies' prospects in competitions for substantial

international tension means high profits

### Technology

## When international tension means high profits

A company with the nonconventional name of British Manufacturers & Research exported, almost exactly 90 per cent of its output in 1978-79. A company with the incomprehensible name of Easams exported almost exactly 85 per cent. And a company with the ambiguous name of International Aerodra, or IAI, exported 82.4 per cent.

On export performance these are the stars in an IGC (International Comparison) analysis published today in the defence equipment industry, an industry which tends to do well when the world is in bad shape. It is doing well now.

British Manufacture & Research makes ammunition and armaments and is owned by Oerlikon of Switzerland. Easams (originally Elliott Automation Space and Advanced Military Systems and now a part of GEC) does not make anything but offers operational research, systems design and project management services. International Aerodra, owned by British Airways, supplies both hardware and consultancy services in communications and aviation.

The export performance of these three is remarkable but the average for the industry (60 companies are covered in the IGC analysis) is pretty good, also, to wit, 58 per cent. Among the other companies in the business are some of the better-known electronics names, for whom the most advanced technology often appears first in military systems and later finds its way into civil markets.

For the capital electronics industry as a whole (civil as well as military), the Ministry of Defence is the largest single customer. Defence requirements and development provide much of the impetus for advanced technology in this sector. In the IGC report the Civil Aviation Authority is to place a large forthcoming radar contract with a foreign company, in preference to a joint bid by GEC-Marconi and Plessey, is jeopardizing the British companies' prospects in competitions for substantial

Nato radar orders, the two firms are arguing.

This point was echoed last night, on the general point of principle involved, by Mr John Sutherland, president of the Electronic Engineering Association. His industry, he told the association's annual dinner in London, contributed about £130m to Britain's balance of trade from sales of over

£1.4bn in 1979. A good example of this is the £200m contract for the final development and initial production of the Sting Ray anti-submarine torpedo, placed towards the end of last year with Marconi Space and Defence Systems (MSDS).

It is not really the best word to describe Sting Ray, it is a "smart missile" which can be very persistent indeed in pursuing its target.

In this project the defence research benefit is spread over a number of companies—MSDS for the guidance computer, Marconi Avionics for other parts of the guidance system, Sperry for the steering Chloride for the highly potent electric battery, Lucas Aerospace for space for propulsion electric motors and Plessey for large-scale-integration (LSI) computers.

Experience gained in writing the software for the Sting Ray control system is expected to help GEC (Marconi's parent organization) in applying computerized control to industrial processes. Plessey, too, enjoys a commercial spin-off from the low-power-consuming Marconi Avionics system currently being developed for the military.

In radar equipment, also,

there is much sharing of technology between civil systems for air traffic control and military systems. For warning of enemy attack: The apparent intention of the Civil Aviation Authority to place a large forthcoming radar contract with a foreign company, in preference to a joint bid by GEC-Marconi and Plessey, is jeopardizing the British companies' prospects in competitions for substantial

(which makes reconnaissance, camera, film, and television equipment).

The third largest defence contractor on the list after Marconi and Racal is Ferranti, another high technology company with interests in navigation systems, radar, lasers and various military instruments.

EMI Electronics' performance, noted above, contrasts sharply with the civil X-ray scanner activity of loss-making EMI Medical, which, the parent company announced earlier this week, are to be disposed of to General Electric (USA).

The recent turnabouts in the defence contractors, the ICC report comments, "This must not be taken too far, as the recent experience in Iran highlights. Following the downfall of the Shah, Britain was left with tanks which were ordered when he was in power, not to mention Rapier and anti-aircraft missiles."

"These dangers always exist in countries where the political situation is suspect and they must be accepted by the defence contractors. Defence spending

is probably uppermost in most western governments' minds and can be expected to increase in the near future in order to redress the balance of power."

But Mr J. Sutherland, of the EEA, sounds a warning for the future on behalf of his association's members. In the association's annual report just published he says: "Although 1979 was a good year for the capital electronics industry, we enter 1980 predicting a marked deterioration in trading prospects following a general decline in the world economic climate, exacerbated by the high level of the pound relative to other world currencies."

"Industrial problems during the year and inflation have further combined to damage future profitability and competitiveness. It will be virtually impossible to sustain the excellent export record this industry has established in the last decade or two."

**Kenneth Owen**

Defence equipment manufacturers is published by IGC Business Ratios, London: price £55.

### Business Diary: Beware the platitude du jour

Peter Prior and Garry Hawkes lunched together in London yesterday in more convivial circumstances than might be expected.

Prior is the chairman of Bulmers Cider and Hawkes the managing director of contract caterers Gardner Merchant. Gardner Merchant is part of the THG hotels group whose bars are noticeably reluctant to sell Bulmers ciders, preferring the Coates Gavins Whiteways products of their sometimes shareholder, Allied Breweries.

Nonetheless, here was Prior and there was Hawkes—and me—the Bulmers chairman having agreed to help Hawkes judge Gardner Merchant's annual award for a paper on catering.

The winning paper this year came from Gerry Shipley, principal administration assistant to the Port of Bristol Authority, a Gardner Merchant client, who wrote on "The advantages of single status feeding".

I did not know what this was—and nor did we begin with it. Prior—and neither of us thought we liked the sound of it. "Rather like battery hens", Prior said.

It turned out to be the idea that management and workers should eat the same things in the same place at work.

The most obvious advantage of single status feeding, Shipley's paper says, "is one of cost and efficiency." A big disadvantage is that in an autocratic



Garry Hawkes, Gerry Shipley and Peter Prior in London yesterday.

organization management and other ranks will do likewise each other, anyway that eating together will only make for more friction.

The idea was obviously music to the ears of Hawkes, Shipley, and Prior, to find that of the three only Prior could point to single status feeding's being in practice at his company.

Prior said that there was a special dining room at Bulmers' Hereford headquarters, where middle managers felt secure and were well-paid and therefore not jealous of perks such as exclusive luncheons

and other ranks will do likewise each other, anyway that eating together will only make for more friction.

No booze, not even cider, was served—although drinks can be had at an employees' club nearby.

Shipley told me that the Bristol Port Authority was "going long way towards single status feeding".

It too had a separate dining room for entertaining visitors, but this also patronised by top management.

The authority had also opened a new canteen at the docks, where the intention had been to let people mingle. However, the dockers had objected to eating with the pensioners and that was that.

Evidently he reserves his bonhomie for his radio programme, just a Menzies.

"But I did hear an alimentary

Adrienne Gleeson

## Television contractors: the case for change

### INDEPENDENT TELEVISION CONTRACTORS: PROFITABILITY

Company	Latest year-end	Pre-tax profits £m	Increase %			Return on shareholders' funds %	Profitability 1974-75
			1978	1977	1976		
Anglia TV	31/10/1979	2.640	-25.2	32.6	-	-43.5	Other activities
ATV	31/3/1979	6.285	+18.3	-	-	-45.4	House construction
Granada Grp*	28/2/1979	406	+8.1	15.2	-	-	Films, records, property
	30/8/1979	6,383	-20.8	-	-	-31.2	
HTV Group	31/7/1979	4,489	+31.9	37.8	-	-	
London Weekend	25/7/1979	6,843	+16.9	28.8	-	-	
Scottish TV	51/12/1979	1,718	-15	-	-	-	
Thames TV	29/7/1979	9,217	-18.5	24.6	-	-	
Trident TV	30/3/1979	7,822	-19.5	22.8	-	-	
Ulster TV	31/7/1979	583	-12.9	+29.4	-	+32.3	

## MARKET REPORTS

## Commodities

**COPPER** closed steady at the lower levels—Afternoon—Cash wire bars £840-£842.00 a metric ton; three months £840-£842.00 a metric ton; three months £876-£878.00; three months, cash £800-£802.00; three months, wire £840-£842.00; three months, wire £842-£847.00. Settlement month, £842-£847.00; three months, wire £842-£847.00; three months, wire £842-£847.00. Settlement month, £842-£847.00; three months, wire £842-£847.00.

**TIN** was quiet—Afternoon—Standard cash £27.180-£27.200 a tonne; wire £27.180-£27.200; three months £27.180-£27.200. London, High grade, cash £27.180-£27.200; three months £27.180-£27.200. New York, May, £27.180-£27.200; June, £27.180-£27.200; July, £27.180-£27.200.

**LEAD** was quiet—Afternoon—Cash £540-£542.00 per tonne; three months £540-£542.00; Sales, 4,400 tonnes; London, High grade, cash £540-£542.00; three months £540-£542.00; Sales, 4,400 tonnes; New York, May, £540-£542.00; June, £540-£542.00; Sales, 4,400 tonnes; Settlement month, £540-£542.00; Sales, 4,400 tonnes.

**ZINC** was steady—Afternoon—Cash £10.50-£10.60 per tonne; three months £10.50-£10.60; Sales, 1,000 tonnes; Settlement month, £10.50-£10.60; Sales, 1,000 tonnes.

**PLATINUM** was at £300.00-£320.00 a troy ounce.

**SILVER** closed steady after being quiet—Spot, £50.400 per troy ounce, London, three months, £52.300; one year, £51.600; Settlement month, £52.300; Sales, 140 lots of 10,000 troy ounces; London, three months, £52.300; Sales, 140 lots, £52.300.

**NICKEL** was quiet—Afternoon—Cash £2,642-£2,650 per tonne; three months £2,642-£2,650; Sales, 2,600 tonnes; New York, May, £2,642-£2,650; June, £2,642-£2,650; Sales, 2,600 tonnes.

**RUBBER PHYSICALS** were quiet—Spot, £50-£55.00, Cash, June, £55.00-£56.00.

**COFFEE** was quiet—**ROBUSTAS**, £C per imperial ton, May, £1,597-£1,600; Nov., £1,744-£1,750; Jan., £1,840-£1,850; Dec., £1,940-£1,950; Sales, 2,961 lots, included options.

**COCA** clinged slightly—**Leaf**, £1,301-£1,302; Sept., £1,302-£1,303; May, £1,303-£1,304; Oct., £1,304-£1,305; Nov., £1,305-£1,306; Dec., £1,306-£1,307; Sales, 1,119 lots, included options.

**BALM** closed steady—**London**, £1,600-£1,610; **New York**, May, £1,600-£1,610; June, £1,600-£1,610; Sales, 1,000 tonnes.

**CHICAGO SOYABEANS** were closed lower as the New York Stock Exchange index fell 0.42 to 559.94 and the average price per share 22 cents. Declines led advances 833 to 604.

The pound fluctuated between \$2.2625 and \$2.2530 before ending at \$2.2600 against the dollar (overnight \$2.2585), while its trade rate improved to 70.72.9 no impact on the florin which also held higher in dollar terms.

Elsewhere, the yen kept a narrow band to close slightly easier at 240.25 (prev 239.35 in dollar terms).

## Discount market

Discount houses needed help on an exceptionally large scale yesterday.

The Bank of England lent a very large amount at MLR and arranged a purchase and resell operation in a very large quantity of eligible bank bills.

The assistance was possibly a little overdone once again. In tight conditions, rates held at 17 per cent for the remainder of the session. There were a few minutes near the end of the day when one or two lucky houses were able to pick up a few chunky balances at rates down to 161 per cent. The market for forward sales was still paying 17 per cent and banking on their bankers at the close.

## Money Market Rates

Bank of England Minimum Lending Rate 17%.

Clearing Banks Base Rate 17%.

Overnight Money Market Rate Fixed 17%

Treasury Bills—  
Bid Offer Yield  
2 months 16% 2 months 16%  
3 months 16% 3 months 16%

Prime Bank Rate—  
Dollars 17% 17%  
3 months 16% 16%  
4 months 16% 16%  
5 months 16% 16%  
6 months 16% 16%

Local Authority Bonds—  
1 month 16% 16%  
2 months 16% 16%  
3 months 16% 16%  
4 months 16% 16%  
5 months 16% 16%  
6 months 16% 16%

Corporate Bonds—  
1 month 16% 16%  
2 months 16% 16%  
3 months 16% 16%  
4 months 16% 16%  
5 months 16% 16%  
6 months 16% 16%

Swiss Francs—  
1 month 16% 16%  
2 months 16% 16%  
3 months 16% 16%  
4 months 16% 16%  
5 months 16% 16%  
6 months 16% 16%

Effective exchange rate compared to December 31, 1979, was 21.74c per £1.00.

## Potato futures market to start trading

The new potato futures market is expected to start trading in London on Monday, June 16. The market venue will be the Baltic Mercantile and Shipping Exchange, St Mary Axe, EC3.

There will be 18 floor members; for those elected before the opening of the market, membership will cost £5,000. Applications will be invited for associate members, which will be allocated in number at a cost of £2,000. Annual subscriptions will be £300 for floor members and £200 for associates.

**Boustead expansion:**

Boustead Ltd is to form Boustead Commodities Ltd to extend and develop the group's soft commodity interests. Subject to the approval of the individual London Rubber Trade Associations it will transfer the capital of rubber brokers, Edward Till and Co, which it acquired in March to Boustead Commodities; Teck Hock and Co Singapore have acquired 20 per cent of Boustead Commoditys' capital. Boustead also

Others to support include Imperial Group with 105 contracts and Land Securities with 81. The latest enthusiasm for oil directed some business towards the Shell July 360p series, where 107 contracts were completed.

In traditional options, the interest of earlier in the week waned away and dealers reported only modest inquiry.

Calls were made in European Ferries, Lorho and Thorn-EMI, while puts were made in New Thompson warrants, Marks & Spencer and Beecham Doubles were completed in Premier Cons, Elsbury and Link House.

Speculators were mostly sidelined by the firm conditions in the rest of the market continued to by-pass the traded options market yesterday where total contracts rose slightly from 498 to 533.

The closure of three of its factories drew support to Courtaulds where 113 contracts were reported. The shares are already regarded in some quarters as a cheap bet, especially with the July 70p series attracting most attention yesterday.

## Authorized Units, Insurance &amp; Offshore Funds

**1979/80**  
High Bid Offer Yield  
Low Bid Offer Trust

**Authorized Unit Trusts**

Abbot Fund Trust Managers, £1,000-£1,001.

Amherst Fund, £1,000-£1,001.

Amherst Fund Growth, £1,000-£1,001.

Amherst Fund Income, £1,000-£1,001.

Amherst Fund Plus, £1,000-£1,001.

Amherst Fund Plus Income, £1

## FINANCIAL NEWS

## Henry Boot resumes dividend payments

By Catherine Gunn

After three years of declining profitability culminating in a £5m loss last year, construction and engineering group Henry Boot made pre-tax profits of £2.23m in 1979. Interim pre-tax profits were a mere £11.2m—against an £856,000 loss in 1978—making 1979's second-half performance a record. Full-year sales rose from £78m to £82m.

It now looks as though full-year profits in 1980 will at last exceed the £2.55m record established back in 1975.

The final dividend has been restored at 14.5p gross, against nothing last year, and 9.95p gross in 1977, on the equivalent tax rate. With the shares at 145p, that gives a gross yield for the full 1979 year of 12.8 per cent. The shares' net asset backing now is estimated by brokers Messel at 340p minimum, adding in 95p of a now somewhat out-of-date estimated property surplus.

The profit recovery in 1979 came from a return to profits in the construction and civil engineering division after a £4m loss in 1978.

Substantial and sufficient (but undisclosed) provisions were made in 1976 against the divisions' losses and some early housing contracts. Some are still to be completed, but should not produce further losses. There may even be some clawback from the 1978 provisions.

Agricultural machinery safety cab for tractors—made a similar loss to 1978's £365,000 shortfall. It is still making losses, and has done ever since its acquisition in 1973, when the loss was £79,000.

Most other divisions did well in 1979. The finance division, providing mortgage advances, benefited particularly from higher interest rates. The company eliminated its £288,000 overdraft in 1979, and in the last few months of the year actually had cash of between £11.2m also earning interest on deposit.

## Cope Allman in £2m purchase

Cope Allman International is paying £2.75m for East Anglian Enterprises and Bell-Fruit (East Anglia). The vendors are Mr

## Record year for D & N

By Philip Robinson

Dan-Air, the charter and scheduled airline operator which provides the bulk of profits for Davies & Newman Holdings, starts its first regular flight to Germany in ten days.

Although the service is expanding, Mr Frederick Newman, the chairman, said yesterday that the most important factor affecting the future is the possible erosion of profit margins from escalating fuel costs.

Mr Wilfred Jones, the financial director, said he could not put a figure on just how much fuel went up last year, but said: "It was quite dramatic and there has already been an increase this year."

The warning came as Davies & Newman reported record figures for last year up from

£2m to £3.3m on turnover 10 per cent higher at £12.9m. The results beat market expectations and the shares rose 15p to 131p.

Shareholders get a 22 per cent dividend increase to 14.25p with a 9.8 final. D & N has also announced a one-for-six split issue to bring shareholders' funds more in line with working capital.

Selling aircraft reduced the £5m borrowings at the year end December, keeping interest charges almost flat at £748,000. But recent aircraft purchases, increasing the fleet to 48 aircraft, of which five are Comets, will mean that borrowings will top £5m now and for 1980 are likely to be much higher.

A lower tax charge and an exceptional credit of £458,000, which the group had put by

towards two aircraft purchases last year, have lifted post-tax earnings from 5m to £3.5m. Retained profits came out at £3m against £724,000 last time.

Mr Newman said there had been steady growth of the business throughout the year and although general trading had continued to be uncertain, all main activities had improved.

Shipbroking, which accounts for about 10 per cent of profits, continues to be active," he said.

Mr Newman says that while the full employment of the Dan-Air fleet in the summer should form a sound basis, it is too early to forecast results for this year.

The group is still awaiting an explanation for the crash of a Boeing 727 in the Canary Islands last Friday.

## Shiloh Spinners down 77 pc

Despite a rise in turnover from £24m to £29.4m for the year to March 29, pretax profits for Shiloh Spinners have dropped 77 per cent to £55,000. The fall was caused by increasing costs, high interest rates and the increasing flow of cheap imports.

Shareholders are to collect a maintained dividend of 2.6p gross.

The board says that the results were made during some of the worst trading conditions experienced by the industry.

Prospects for the immediate future are not good, but with the recent reorganization and re-equipment programme, the company is well placed to take immediate advantage of any improvement in trade when it comes.

Harrison's average pretax profits for the three years to December 31, 1979, were £1.05m and its net assets at 1979 amounted to £3.15m.

On that assets basis, the consideration amounts to 33.9m

G. C. Waiting and Mr R. S. Needs.

The two companies being acquired had profits before tax and extraordinary items of £205,000 for the year to June 30. Their combined net assets were £781,000 at that date, but are since estimated to have increased to about £1.5m of which not less than £500,000 is available in cash.

Management accounts indicate their current profitability is running at about 530,000 a month.

### F. J. C. Lilley in U.S. deal

F. J. C. Lilley has acquired 80 per cent of Harrison Western Corp of Denver, Colorado, a construction company operating principally in the mid-west of the United States.

Harrison's average pretax profits for the three years to December 31, 1979, were £1.05m and its net assets at 1979 amounted to £3.15m.

On that assets basis, the consideration amounts to 33.9m

but provision has been made for the adjustment of the purchase price with a maximum of 54.52m dependent on the receipt by Harrison of certain amounts whose recovery is under negotiation.

Shareholders are to collect a maintained dividend of 2.6p gross.

The upshot is that net profits fell modestly from £4.4m to £3.89m and any fall this year should again be small. The group contents itself with expecting profits "similar" to 1979.

Meanwhile, the balance sheet is understood to remain ungered with no net borrowings. Shareholders' funds are up to 214p a share. The shares duly rose 2p to 107p.

## Mowlem manages to contain fall in profits

By Peter Wainwright

The United Kingdom construction recession can hardly leave John Mowlem, the building and engineering group unscathed, but it already did in the year to December 31 last.

Turnover actually rose from £163.68m to £190.22m, enough to keep pretax profits as high as £5.72m against £5.92m.

Indeed, Mowlem did better than some observers expected,

given that turnover in the first six months only edged ahead,

while pre-tax profits actually fell from £2.41m to £2.33m.

Bad weather hit United Kingdom civil engineer in the first four months, but associates were said to have gone ahead, pinpointing the growing importance of Middle East work and the computer bureau.

Mowlem has been dismissed as largely a United Kingdom contractor, but of the £190m turnover as much as £45m or so now arises abroad where Mowlem finds margins as good or better than at home.

Mowlem Engineering Products sends as much as 80 per cent of its business overseas, while another important subsidiary, Soil Mechanics, has nearly 70 per cent of its work abroad.

The tax charge of £1.77m (compared with £1.51m) is light—and light even among civil engineers. Last year, it was 31 per cent of taxable profits and it is understood that it will stay light this year too. It is apparently a question of where profits arise, and are spent.

The upshot is that net profits fell modestly from £4.4m to £3.89m and any fall this year should again be small. The group contents itself with expecting profits "similar" to 1979.

This will help to compensate for the more difficult trading conditions which are expected in the United Kingdom during the second half-year.

## Cavenham asks for time

From Anthony Hilton

New York, May 1

Cavenham Inc, the American arm of Sir James Goldsmith's empire which may bid for control of Diamond International, an American timber and packing company, today asked Diamond shareholders to give it time to present its case.

Earlier the Cavenham approach had been rebuffed by the Diamond management.

In a letter to shareholders released yesterday its president, Mr William Koslo, accused Cavenham of trying to regain control for the lowest possible price.

The proposed offer for the company's stock was "nothing but an attempt to confuse our shareholders," he added.

Cavenham needs time because

### International

Diamond shareholders are due to vote on a merger with Brooks-Scanlon at a meeting on May 12 and if that deal goes through Cavenham's 59 per cent stake in Diamond will be diluted by about a fifth.

In documents filed with the Securities Exchange Commission today, Cavenham details its objections to the merger.

This claims it would mean dilution of both assets and earnings for Diamond and alleges that shareholders have not been fully informed about recent decisions in earnings and plant closures which could lead to a halving of Brooks-Scanlon's profits.

It has had talks with Diamond's management, but its objections to the Brooks-Scanlon deal had been ignored.

It was therefore forced to consider a bid to block the merger and protect its investment.

It asks shareholders to delay approving the deal for three months to consider Cavenham's alternative proposals, though it has not yet revealed what these will be.

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### Quaker Oats up

Quaker Oats reported net profits for the third quarter to March 31 of \$28.3m, or \$1.35 a share, up from \$24.2m and \$1.16 a share a year earlier. Sales rose to \$620.8m from \$502.1m.

Quaker said the increased third quarter earnings reflected favourable performances in US grocery products, Fisher-Price toys and chemicals, and a \$5.6m pretax gain from foreign exchange.

### Wereldhove offshoot

Beleggingsmaij Wereldhove has set up West World Holding, a real estate investment trust in the United States to combine its interests there.

At the end of 1979 about 20 per cent of its total investments of 950m (£203m) were in the United States.

Initially it will issue 6,500 shares at \$10,000 a share with subscriptions also open for third parties, but priority will be given to present Wereldhove shareholders, it said.

### Marathon confident

Marathon Oil Co expects 1980 net income to show an improvement from last year "although the percentage gain may not be as large as was achieved in the first quarter."

Mr Harold D. Hoopman, president, told the annual meeting.

First quarter profits announced earlier rose by 33 per cent.

## Hoechst world profits up 56pc for year

Hoechst achieved world group net profits of DM650m (£155m) in 1979, up 56 per cent from DM417m in 1978, and parent company first quarter net profits of DM344m up 30.3 per cent from a year before.

Hoechst expects sales volume to rise by about 3 per cent in 1980 which would enable the company again to achieve a reasonable result, Bert Rolf Sammet, managing board chairman, said.

He told the annual press conference that the company maintained this view despite first

quarter 1980 data which showed a far greater expansion over the year-ago period.

This was because first quarter 1979 was relatively weak and Hoechst prices were lower, he said.

Parent company turnover in the first quarter of 1980 was DM3,040m, a 21 per cent increase on the 1979 period.

However, if that figure is compared with the quarterly average for 1979, the increase is only 13.5 per cent, or in real terms 8.2 per cent, he said.

## Audi profits 46pc ahead

Audi NSU Auto Union AG, the Volkswagen group subsidiary, reported after-tax profits up by 46.5 per cent to 83.5m marks last year from 57.1m in 1978.

Turnover rose to 5.17bn marks from 4.51bn and vehicle

## General Dynamics higher

General Dynamics Corp reported net profits for the first quarter of \$36.3m, or \$1.33 a share, against \$29.5m and \$1.08 a share a year earlier.

Sales rose from \$895.6m to \$1,070m.

Mr D. S. Lewis, the chairman, said the company had delivered

164 F-16 fighter planes from production lines in the United States and Europe to the air forces of the United States, Denmark, Norway and Israel.

## London and Manchester—a year of considerable achievement

*Extracts from the statement by the Chairman, Mr H L K Browne, F.C.A., on the Group Report and Accounts for 1979*

1979 was a year of considerable achievement in most of the Company's activities. In the Home Service Division further records were established both in new business production and in growth of premium income and very satisfactory progress was made in the development of the Pensions Division. The rate of interest earned on the Company's funds was again increased and enabled a larger rate of Ordinary Branch reversionary bonus to be declared. These results would not have been possible without the industry and determination of all those who work for us and I take this opportunity to express my appreciation to the staff for all they have done during the past year. I also thank my fellow Directors for their support and helpful advice during what, in many ways, has been a challenging year.

Mr Dennis Baker, a Director and former General Manager of Welfare, who was appointed to the main Board in 1976, relinquished his appointment with the Group on 31 December, 1979 by mutual agreement. I would like to acknowledge his outstanding efforts, particularly in regard to Welfare Insurance over the past 5 years, and to wish him well in his future career.

I am pleased to report that Mr Ian Henderson, M.A., F.I.A., has been appointed General Manager (Investments) and will be joining the Company before the date of the Annual General Meeting.

During 1979, and following discussions with the Union, the Company introduced a scheme to recognise the long service of full-time employees, providing that recognition by way of a small block of Company shares purchased in the market by Trustees. Under the terms of the scheme an employee qualifies for an award of 100 fully paid shares at the end of 25 years' service, with further awards of 100 shares after each 5 years, and 40 years' service. The first presentations were made in May and 110 members of the staff are now shareholders of the Company as a result of this scheme.

Our new Chief Office building at Winslade Park, Exeter, has been honoured by the Royal Institute of British Architects in the presentation of the Architectural Award for the South West Region 1979. The award was one of only four given throughout the United Kingdom last year for outstanding examples of British architecture.

**Ordinary Branch**  
Following a particularly successful year in 1978 the Home Service Division achieved a 22 per cent increase in new annual premium production in 1979, establishing a new Company record for growth in premium income from this source.

In the Life Broker Division sales of conventional endowment assurance contracts were good as a result of the Company's continued involvement in a buoyant mortgage market. I referred last year to the steps being taken to expand the product range and scope of this division. Two further contracts offering individual pension arrangements for the self-employed and for executives and directors were introduced during the year and they, together with the Investment Linked Single Premium Bond and Maximum Allocation Plan, produced encouraging new business results.

**Industrial Branch**  
In my statement last year I referred to the introduction of a new contract, the first original contract in this branch of the industry for many years. This has proved very successful and now accounts for more than 90 per cent of the new business being written. Additionally, arising from changes in the treatment of Life Assurance Premium Relief, there was a substantial non-recurring uplift in Industrial Branch premium income during 1979.

The results in this branch have benefited considerably from these two factors, new annual premiums having increased by 47 per cent as compared with the previous year and premium income by 30 per cent.

## Motoring

### European car makers move to close ranks

Some motor industry commentators think that the time will eventually come when the world's volume car manufacturers are reduced to only six main groups, two American (Ford and General Motors), two Japanese (Toyota and Nissan/Datsun) and two European.

Just how the European pattern will emerge is not yet clear, but the Peugeot-Citroën-Talbot merger can obviously be seen as an attempt to book one of Europe's two places. And there has been much talk in the last week or so about the need for European manufacturers to close ranks against the twin threat of the Americans and the Japanese.

This was, for instance, implicit in the agreement announced between BL and five other leading European groups (Peugeot, Renault, Fiat, Volkswagen and Volvo) to cooperate on long-term research. Though the collaboration will not extend as far as the product stage, and the companies will continue to compete, each should be the stronger for not

having to duplicate costly development work.

The American multinationals, significantly, are excluded from the agreement, the six clearly seeing Ford, Opel and Vauxhall as outside competitors that can only become stronger as European and American car designs move closer together.

Then at the Turin Motor Show Signor Umberto Agnelli, chairman of the Fiat car division, spoke of Europe becoming the battleground of the big Japanese and American manufacturers and called on European companies to work out a "joint defence strategy" involving national governments and the European Community.

Signor Agnelli was also critical of collaboration between European and Japanese companies. On the proposed Alfa Romeo-Nissan deal, he said it was dangerous for Europe that a part of its industry as big as Alfa should be dependent on a Japanese company for its production. And he expressed strong disapproval of the BL-Honda agreement, under which a Honda car will be assembled next year at Cowley.

The latest industry figure to take up the theme of Europe versus America and Japan is Herr Toni Schmitzke, chairman of Volkswagen. He said this week that VW would be directing its strength at Europe more than ever before and was expecting to increase its European market share from 13 to 15 per cent within two years.

As a corollary, the company was planning to open a second car assembly plant in the United States which would allow vehicles previously exported to America to be released for European markets. (In



Brisk and economical—the Volkswagen Jetta.

the heyday of the Beetle, Volkswagen sold more cars each year in the United States than it did in Germany.)

It remains to be seen just how the "joint defence strategy" urged by Signor Agnelli will develop. Already, mergers have greatly rationalized the European car industry: Volkswagen took over Audi and Volvo acquired the former Daf car division in The Netherlands; Peugeot has swallowed two big companies, Citroën and the former Chrysler Europe, and now heads the Continent's biggest car-making group.

There have also been collaborations between competing firms: Renault and Peugeot-Citroën share engines with Volvo. Saab and Lancia have technical and marketing links. Before the Honda deal,

cise by which the Polo beat the Derby. At one time hatchback cars like the Golf and Polo seemed set to take over completely; then car companies discovered that the traditional "three-box" saloon still had a large following. Hence the Derby and the Jetta and, for that matter, Talbot's new Solaris.

Volkswagen has decided to set the Jetta fairly high up the market with prices starting at just over £4,000. However, at 13 feet 9 inches the car is significantly shorter than models which Volkswagen sees as main rivals, such as the Renault 18 and the Vauxhall Cavalier. The few inches are fine as far as parking goes but I wonder whether a prospective Jetta buyer will feel he is getting enough car for his money.

That is a psychological point. The practical consideration is what the Jetta offers in passenger and luggage space. About the body there is no argument, it is huge by any standards. The interior of the car in this class, Volkswagen says, is bigger than the Ford Cortina's, which I can believe. On the other hand rear passenger space is decidedly mean, both for the legs and the head.

Mechanically the Jetta is close to the Golf, offering a choice of 1300 and 1500cc overhead camshaft engines, with a fuel injected 1600 for those who want extra performance and are prepared to pay almost £6,000 for the privilege. My test car was the 1500, whose 70 bhp unit was nippy enough for most needs. The bare figures (0 to 60 mph in 13 seconds, top speed of 95 mph) give no idea of the engine's eagerness, nor of its good flexibility in top gear. Fuel consumption came

out at a creditable 28 to 34 miles to the gallon and the car runs on two-star fuel.

The engine is a curious mixture of the smooth and the noisy. Driven gently the car is most refined and 70 mph motorway cruising is little strain on the ear drums. But pushed at all hard, the engine develops an unpleasant boom. Thanks to the car's good aerodynamic shape, wind noise is kept to a minimum, though surfaces can set up noticeable tyre rumble.

Handling is generally crisp, in the German manner, helped by light and precise steering and responsive brakes. The car corners without much bodyroll and roadholding is good, apart from a tendency to be jogged off line on broken surfaces. The gearbox, with its short movements and accurate slotting, is a pleasure to use. The ride seems to have been tailored to those superb German roads, which is to say that it is far from smooth, indeed jarring, on inferior ones.

The cockpit layout is admirable, except that large drivers may feel the steering wheel pressing on their thighs. Instruments are clear and neat and the minor controls handily placed; there are unusually good rearview mirrors, both inside and out. The ventilation system summons up an impressive blast of air and the heater is effective while tending to produce stiffness. The seats are firm, though not excessively so, and could give more support to the back.

Brisk, economical and a pleasure to drive: there is much to admire in the Jetta. But the cramped back seat is a drawback and so, to a lesser extent, are engine noise and ride quality. The GLS version costs £4,975 and it is a well equipped and well finished vehicle. If it is a set-of-related replacement for the soft top Beetle, which cost £3,000 and became enough of a cult for later models, now to be changing hands in Britain for up to £8,000.

The Golf Convertible is not quite so expensive, though £5,850 is still a lot to pay for a small car, if it is, however, the cheapest convertible offering four full seats and Volkswagen expects to sell at least 1,000 of them here during the rest of the year.

It is also very much a top model, both in trim and equipment and in its engine, which is the fuel-injected 1.6 litre mated with a five-speed gearbox. The result is truly sporting performance, with brisk acceleration and a claimed top speed of 112 mph.

The hood can be put up and taken down virtually single handed but to allow for a reasonable boot it does not fold completely flat and tends to obscure the driver's rear vision. Open-air motoring in Britain may, for most of the year, be a form of masochism but given a warm and tranquil day, the Golf Convertible is a car to drive.

Peter Waymark

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# **BELL'S** **SCOTCH WHISKY**

## Stock Exchange Prices

# Oils forge ahead

ACCOUNT DAYS: Dealings Began, April 28. Dealings End, May 9. § Commence Day, May 12. Settlement Day, May 14.

**6** Forward bargains are permitted on two previous days.

1978/80																1978/80																
Int. Gross High Low Stock				Int. Gross Price Chg'ge Yield Yield				Gross High Low Company				Div Yld Price Chg'ge price % P/E				Gross High Low Company				Div Yld Price Chg'ge price % P/E				Gross High Low Company				Div Yld Price Chg'ge price % P/E				
<b>BRITISH FUNDS</b>																																
SHORTS	300	295	Treas.	34.7	10.77-30.80	9.5%	1.4%	3,524	17.42	A-A	10.6	8.2	8.3	102	52	Dunn Hedges	101	7.7	7.6	11.4	104	7.9	7.8	8.1	104	7.9	7.8	8.1	104	7.9	7.8	8.1
830	825	Fund	50.7	10.77-30.80	9.5%	1.4%	5,322	17.47	AAM	10.6	8.2	8.3	103	53	Durante Hedges	102	7.7	7.6	11.4	105	7.9	7.8	8.1	105	7.9	7.8	8.1	105	7.9	7.8	8.1	
1030	1025	Treas.	34.7	10.77-30.80	9.5%	1.4%	3,222	17.47	AGM Research	10.6	8.2	8.3	104	54	Dewart & Sons	103	7.7	7.6	11.4	106	7.9	7.8	8.1	106	7.9	7.8	8.1	106	7.9	7.8	8.1	
1230	1225	Treas.	34.7	10.77-30.80	9.5%	1.4%	3,113	14.705	AGM Research	10.6	8.2	8.3	105	55	Dewart & Sons	104	7.7	7.6	11.4	107	7.9	7.8	8.1	107	7.9	7.8	8.1	107	7.9	7.8	8.1	
1430	1425	Treas.	34.7	10.77-30.80	9.5%	1.4%	3,071	14.615	AGM Research	10.6	8.2	8.3	106	56	Dewart & Sons	105	7.7	7.6	11.4	108	7.9	7.8	8.1	108	7.9	7.8	8.1	108	7.9	7.8	8.1	
1630	1625	Treas.	34.7	10.77-30.80	9.5%	1.4%	10,108	14.026	AGP Hedges	10.6	8.2	8.3	107	57	Dewart & Sons	106	7.7	7.6	11.4	109	7.9	7.8	8.1	109	7.9	7.8	8.1	109	7.9	7.8	8.1	
1830	1825	Treas.	34.7	10.77-30.80	9.5%	1.4%	8,762	14.367	Aerion Corp	10.6	8.2	8.3	108	58	Arrow	107	7.7	7.6	11.4	110	7.9	7.8	8.1	110	7.9	7.8	8.1	110	7.9	7.8	8.1	
2030	2025	Treas.	34.7	10.77-30.80	9.5%	1.4%	10,013	14.100	Arrow Corp	10.6	8.2	8.3	109	59	Arrow	108	7.7	7.6	11.4	111	7.9	7.8	8.1	111	7.9	7.8	8.1	111	7.9	7.8	8.1	
2230	2225	Treas.	34.7	10.77-30.80	9.5%	1.4%	3,343	11.770	Arrow Corp	10.6	8.2	8.3	110	60	Arrow	109	7.7	7.6	11.4	112	7.9	7.8	8.1	112	7.9	7.8	8.1	112	7.9	7.8	8.1	
2430	2425	Treas.	34.7	10.77-30.80	9.5%	1.4%	2,925	11.780	Arrow Corp	10.6	8.2	8.3	111	61	Do A	110	7.7	7.6	11.4	113	7.9	7.8	8.1	113	7.9	7.8	8.1	113	7.9	7.8	8.1	
2630	2625	Treas.	34.7	10.77-30.80	9.5%	1.4%	3,446	11.157	Arrow Ind.	10.6	8.2	8.3	112	62	Address Group	111	7.7	7.6	11.4	114	7.9	7.8	8.1	114	7.9	7.8	8.1	114	7.9	7.8	8.1	
2830	2825	Treas.	34.7	10.77-30.80	9.5%	1.4%	8,163	13.730	Airfix Ind.	10.6	8.2	8.3	113	63	Airfix Ind.	112	7.7	7.6	11.4	115	7.9	7.8	8.1	115	7.9	7.8	8.1	115	7.9	7.8	8.1	
3030	3025	Treas.	34.7	10.77-30.80	9.5%	1.4%	10,249	14.184	Allied Colloids	10.6	8.2	8.3	114	64	Allied Colloids	113	7.7	7.6	11.4	116	7.9	7.8	8.1	116	7.9	7.8	8.1	116	7.9	7.8	8.1	
3230	3225	Treas.	34.7	10.77-30.80	9.5%	1.4%	10,511	14.025	Allied Planted	10.6	8.2	8.3	115	65	Allied Planted	114	7.7	7.6	11.4	117	7.9	7.8	8.1	117	7.9	7.8	8.1	117	7.9	7.8	8.1	
3430	3425	Treas.	34.7	10.77-30.80	9.5%	1.4%	13,854	14.454	Allied Planted	10.6	8.2	8.3	116	66	Allied Planted	115	7.7	7.6	11.4	118	7.9	7.8	8.1	118	7.9	7.8	8.1	118	7.9	7.8	8.1	
3630	3625	Treas.	34.7	10.77-30.80	9.5%	1.4%	13,088	13.783	Allied Planted	10.6	8.2	8.3	117	67	Allied Planted	116	7.7	7.6	11.4	119	7.9	7.8	8.1	119	7.9	7.8	8.1	119	7.9	7.8	8.1	
3830	3825	Treas.	34.7	10.77-30.80	9.5%	1.4%	10,765	12.451	Allied Planted	10.6	8.2	8.3	118	68	Allied Planted	117	7.7	7.6	11.4	120	7.9	7.8	8.1	120	7.9	7.8	8.1	120	7.9	7.8	8.1	
4030	4025	Treas.	34.7	10.77-30.80	9.5%	1.4%	13,688	13.345	Allied Planted	10.6	8.2	8.3	119	69	Allied Planted	118	7.7	7.6	11.4	121	7.9	7.8	8.1	121	7.9	7.8	8.1	121	7.9	7.8	8.1	
4230	4225	Treas.	34.7	10.77-30.80	9.5%	1.4%	10,216	11.711	Allied Planted	10.6	8.2	8.3	120	70	Allied Planted	119	7.7	7.6	11.4	122	7.9	7.8	8.1	122	7.9	7.8	8.1	122	7.9	7.8	8.1	
4430	4425	Treas.	34.7	10.77-30.80	9.5%	1.4%	5,100	10.589	Allied Planted	10.6	8.2	8.3	121	71	Allied Planted	120	7.7	7.6	11.4	123	7.9	7.8	8.1	123	7.9	7.8	8.1	123	7.9	7.8	8.1	
4630	4625	Treas.	34.7	10.77-30.80	9.5%	1.4%	13,157	11.760	Allied Planted	10.6	8.2	8.3	122	72	Allied Planted	121	7.7	7.6	11.4	124	7.9	7.8	8.1	124	7.9	7.8	8.1	124	7.9	7.8	8.1	
4830	4825	Treas.	34.7	10.77-30.80	9.5%	1.4%	10,511	11.425	Allied Planted	10.6	8.2	8.3	123	73	Allied Planted	122	7.7	7.6	11.4	125	7.9	7.8	8.1	125	7.9	7.8	8.1	125	7.9	7.8	8.1	
5030	5025	Treas.	34.7	10.77-30.80	9.5%	1.4%	13,854	11.425	Allied Planted	10.6	8.2	8.3	124	74	Allied Planted	123	7.7	7.6	11.4	126	7.9	7.8	8.1	126	7.9	7.8	8.1	126	7.9	7.8	8.1	
5230	5225	Treas.	34.7	10.77-30.80	9.5%	1.4%	13,854	11.425	Allied Planted	10.6	8.2	8.3	125	75	Allied Planted	124	7															





## HOME NEWS

## Fleet Street action halts publication of Sunday newspaper

By Donald Macintyre

*The Sunday Mirror* failed to appear yesterday because of industrial action by members of the National Graphical Association in support of 45,000 colleagues employed in provincial newspapers and general printing, who are in dispute over their pay claims. Similar action prevented publication of *The Times* on Saturday.

Informal moves during the weekend by the Advisory, Conciliation and Arbitration Service produced no sign of renewed negotiations at least until after the union's national council meets tomorrow.

The union said yesterday that its members remained determined to pursue their claim for an £80-a-week minimum wage and a 37½-hour week within the next 12 months. The dispute has stopped the publication of most provincial daily news papers.

The British Printing Industries Federation, which represents general printing employers, said that it expected more members, "including some large and medium sized firms", to lock out union employees from tomorrow in accordance with the federation's instructions. The union estimated towards the end of last week that only about a quarter of their federation members had been suspended without pay.

A separate dispute involving London-based sole-traders members of the Society of Graphical and Allied Trades was expected last night to stop distribution of national newspapers in the capital today.

The 3,000 members of the union were expected to withdraw their labour in support of long-standing claims for Bank

holiday payments similar to those paid to their colleagues employed by the national newspapers.

Mr William Keys, the union's general secretary, said yesterday that the holiday payments made by the newspapers were basically double time and time off in lieu.

The Society of Lithographic Artists, Designers and Engravers has joined the National Union of Journalists in instructing its members, not to co-operate with management that are producing provincial newspapers while the National Graphical Association is on strike.

Mr Keys, whose provincial newspaper and general printing membership is overwhelming accepted in a ballot the employers' offer of a 275 minimum and a 37½-hour week by 1982, said yesterday that he had instructed negotiators to seek an extra £5 a week from those companies which had settled on the National Graphical Association's terms.

Mr Keys' stand firm: "The Labour Party failed to ensure that the United Kingdom was properly defended it would have won an election again," Mr William Rodgers, the government spokesman on defence, said in an article published in Friday by the Labour Committee on Transatlantic Understanding.

Mr Rodgers highlighted the split between the Labour Shadow Cabinet and the party's national executive by calling for the stationing of American nuclear missiles in the United Kingdom.

The national executive says in the statement on party policy due to come up for approval at a party conference on May 31 that a future Labour Government would not create a successor to the Polaris nuclear weapon system and would be opposed to the manufacture

civil servants played the part of the Home Secretary.

The exercise was a success even if the civil servants posing as reporters were taken hostage.

Heavily was particularly apt because previous exercises had involved hostages held in an aircraft. For the first time it was considered what would happen if they were held in a building.

Now Deputy Assistant Commissioner John Bellows, the man in charge of the police operation, and Superintendent Frederick Luff, the main negotiator, are putting into practice the lessons learnt from Heavywave.

Mr Dellow, aged 49, is a much travelled policeman. A Londoner by birth, this dapper, precisely spoken man started his career with the City of London police, moved to Kent, where he rose to assistant chief constable, and then went to Scotland Yard.

His career as beat policeman, fraud squad detective and, eventually, police planner, also

includes the distinction of being the first police officer to attend a course at a military staff college. That could be an experience of some use at the embassy siege because it events turned sour a team from the Special Air Services Regiment might be called in as a last desperate throw.

The responsibility for preventing that happening falls very heavily on Mr Luff. A uniformed officer at Gerald Road police station, near the embassy, he is better known to the public as a former head of the Drug Squad.

It was under his leadership in the middle 1970s that the squad successfully broke several triad heroin rings. But Mr Luff, aged 46, paid the price for a lack of imagination among his officers involving the recycling of cannabis. He was promoted head of the squad as part of police policy that in such cases the officer in charge is held accountable for what goes on under his command.

An athletic man, Mr Luff is a keen boxer and pilot. Standing on the pavement outside the

embassy he has tried to combine an open, cheerful manner with techniques of negotiation learnt on a police course.

When he rests, one of another three negotiators takes his place. There were no signs last night of an end to the siege, but the police did not believe that it would go on as long as the team from Monastir, which lasted 18 days.

Unlike that occasion, Mr Luff and his team made rapid contact, meeting no strong ideological hostility. In both Ireland and at Balcombe Place, the siege began when the Provisional IRA men involved were trapped and had to adjust to their position. The Iranian gunmen launched the present siege deliberately.

That is an essential difference between the situation at Prince's Gate and earlier incidents: the Iranians went in adjusted to what they were going to do and had to face reality.

It is important therefore that Mr Luff and his colleagues should build a rapport both for safety's sake and for gleaning information. The police must know with whom they are dealing and what their reactions might be. They have dealt with criminals and the Provisional IRA, but are less well acquainted with the Middle Eastern mind.

They also want to know more about routine at the embassy. At other sieges those involved were contained on one room; at Prince's Gate, the gunmen can range through a five-storey building.

This is not all in favour of the terrorists, who must keep watch on many fronts; but undoubtedly they are motivated by a strong political fervour and, to complicate matters, the police have the difficultly of facing demands which can be met only by a third party out of British influence or control.

The year's exercises no doubt help to consider that factor, but it is unlikely that they will include the extreme dimension of the civil disorder on the streets presented in the past few days by the Iranian demonstrators and their supporters and the counter demonstrators. Perhaps that dimension will be added to next year's exercise.

## Gunmen are ringed by a battery of cameras

By John Withrow

The Iranian Embassy in London has been under siege not merely by the police but also by a formidable battery of television and press.

The scene about 200 yards from the embassy, where up to five gunmen last night were still holding about twenty people hostage, resembled a Post Office trade fair.

The BBC and independent television show two giant hydraulic cranes, known as "cherry-pickers", at a cost of £40 an hour. They swivel gently in the breeze 50ft above ground, enabling both channel

to get virtually identical pictures of the front of the embassy. Between 30 and 4 technicians, producers and reporters covering the siege to each station round the clock.

"If this goes on much longer it could be one of the most expensive operations we have mounted", a BBC producer said. The stations were backed up by several editing and mobile film cameras which could be rushed to any disturbance.

Besides the British television channels, the American networks brought in crews from over Europe and from elsewhere to cover the siege. The American film crew in a bus office in London from where it was bounced off satellite to the New York breakfast show and news programmes.

"Going on the bird", as ABC calls it, cost \$1,500 for the first 10 minutes and \$54 for every minute after that. NBC said the on one day because of the siege they had reserved satellite time for three hours, but emphasize that much of that would be used for European and midday news reports.

The tripods of the first press photographers on the scene were replaced by scaffolding which enabled a score of photographers to get a steady and more comfortable view as they settled in for a long wait surrounded by vacuum flasks and protected by beach umbrellas.

Unified policemen were drafted from other regions of the Metropolitan area, especially the East End, and some have their weekend leave cancelled over the Bank holiday.

That put extra strain on the city's police at a time when the force was 3,000 men below strength. The operation also involved such specialists as D11, the police marksmen, the anti-terrorist squad and sections of the Special Patrol Group.

Scotland Yard said it was impossible to estimate the cost of policing the march in Lewisham, south London, two weeks ago was more than £250,000 using 3,500 policemen for an afternoon.

The occupation meant the people living in adjacent houses were evacuated because of the gunmen's threat to blow up the embassy if their demands for the release of 9 prisoners in Iran and a plan to fly them out of Britain were not met.

Many people were forced to stay with friends and relatives or in hotels at their own expense.

## Union defends £5,000 to 'Morning Star'

By Our Labour Staff

The Transport and General Workers' Union yesterday defended a decision by its executive to give £5,000 to the *Morning Star* against mounting criticism of the move by a number of Labour MPs.

The contribution, announced at the weekend, was made by response to a £50,000 appeal by the communist daily newspaper.

Mr John Cartwright, Labour MP for Greenwich, Woolwich East, said it was an "extraordinary thing" for the union to use members' money in this way, "money given to them on the clear understanding that it is being used basically for supporting the Labour Party".

Mr Cartwright added: "If I were a member of the TGWU I would want to know why funds are being used to support the newspaper of a party actively opposed to Labour."

Mr Benjamin Ford, Labour MP for Bradford, North, said

the union was affiliated to the Labour Party and ostensibly committed to Labour Party policies. He added: "I fail to see how it can possibly then support another organization which puts up candidates against official Labour candidates."

Mr Mostyn Evans, the union's general secretary, said that the newspaper was one of the few that had sympathetic approach to the very serious difficulties the trade union movement was facing.

Mr Larry Smith, the TGWU executive officer, confirmed that the money had come from the political fund, but said that the executive had wide powers to deploy the funds for broadly political purposes.

Mr Alan Fisher, general secretary of the National Union of Public Employees, said: "It is open to any trade union to decide whether it supports a particular paper."

## For the record...

### Olympic body split over Moscow games

The British Olympic Association had its first public debate on Friday on whether Britain should take part in the Olympic Games in Moscow and showed that its thinking was as split as that of the British public.

The occasion was the association's annual meeting and it attracted a record attendance of 100 of the 2,470 members. There were stirring speeches from Sir Denis Follows, the chairman, and Lord Noel-Baker, aged 91, who spoke in favour.

Sir Denis reiterated the decision of the association's committee that no competitor should be denied the opportunity of taking part in the games:

Other speakers accused the association of being an unrepresentative body and said it was wrong to support athletes going to Moscow. The Soviet Union oppressed millions.

But the loudest applause was won by Lord Noel-Baker, British team commander at the 1952 games. The message at Moscow would be "the friendship and cooperation of all the nations of the world", he said.

Rome meeting, page 4

### Teachers reject 13pc pay offer

Negotiators representing 47,000 teachers in England and Wales on Friday night rejected a 13 per cent pay offer from the local authorities. They are asking for a 20 per cent rise on top of the increases, averaging 18 per cent, they have just received under the recommendations from the legge commission. Earlier the employers said they would drop 10 per cent in negotiations to teachers' conditions of service.

Rome meeting, page 4

### Treasury secrecy attacked by Mr Edward du Cann

By Caroline Atkinson

the Government's spending plans assumed.

The committee's report criticized the Government for "obsessive secrecy". The members clearly believe that Sir Geoffrey Howe, the Chancellor of the Exchequer, has yet to come to terms with the workings of the new investigative select committee in the Government's spending plans, criticized in the report, which looks forward to a resumption in trend over the years towards providing more information in public spending white papers.

The committee hopes to influence next week's debate on the Government's public spending white paper, and so produce its report quickly.

It is nevertheless an effective analysis of the Government's Budget documents and the committee's special advisers have clearly helped it a great deal to focus on the weaknesses in them.

### Murray call for new policy

If the Government was prepared to "rethink" its economic policies and meet union leaders in serious discussions the TUC would consider calling off its "day of action" on Wednesday week, Mr Len Murray, general secretary, said on Friday.

He told delegates to the annual conference of the Wales TUC: "If there is no chance of consultation they leave us nowhere else to go but the streets. If we cannot get a hearing in Parliament we have a duty and a right to speak out loud and clear."

"Close schools" call: A Scottish teachers' union called on Friday for schools and colleges to be closed on May 14 to safeguard children and property.

Pits may close: Yorkshire pits are likely to be at a standstill on May 14 after a change of heart among winding engineers.

The colliery winders, a traditionally moderate group in an otherwise militant area, had decided to ignore the TUC's call to stop work, but Mr Arthur Scargill, the left-wing president of the Yorkshire area of the National Union of Mineworkers, said on Friday that about half the men responsible for getting miners and materials into the pits had changed their minds.

### Rolls-Royce lose £58.4m

Rolls-Royce, the state controlled aero-engine company, which is to receive further government support towards meeting its cash needs of £190m this year, has disclosed losses of £58.4m for the past year.

The scale of the downturn from the previous year's pretax profit of £11.7m had been widely expected but was described by Sir Frank McFarlane, the chairman, as very disappointing.

Sir Frank, who took over from Lord Keith of Castleside earlier this year after the Gov-

### Man accused of Niedermayer murder in Ulster

From Chris Thomas, Belfast

"Tell that to the steel workers of Corby, Shotton and South Wales as they are asked to accept a crazy scheme involving a £1.8m transfer fee to a United States bank to hire to a new head for British steel," Dr Owen said.

Mr John Silkin Labour's front-bench spokesman on industry, told South Ayrshire May Day rally on Saturday that the Government had drawn a "Thatcher line" across the country from the Avon to the Wash.

Most of the people whom the Tories regarded as being "expendable" lived north of that line Mr Silkin said.

Continued from page 1  
could not be persuaded to withdraw from Afghanistan it was worth going to the brink of war.

One passage will be studied carefully because it seemed to disclose a new method of influencing public opinion within the Soviet Union. She said: "The war weapons we have now are absolutely dreadful... No, we must use other means, by a massive propaganda campaign of a kind we have never mounted yet."

"Electronics give us the chance to do this with big transmitters. Soon we shall have the new technological development enabling us to beam in television.

Was there a chance that the nations would drift into a war, as happened in 1914 after Sarajevo? "I must say categorically that I do not think so. The weapons are so hideous and terrible that those of us who are, for the time being, in charge of these matters, would not let them drift."

Mr Thatcher said she would be totally against any military intervention in Iran, such as the blockading of ports or the laying of mines. The United States attempt to rescue the hostages should not be considered as military intervention.

On the siege at the Iranian Embassy in London, Mrs Thatcher said the request for mediation was the subject of consultation between the three countries named by the gunmen and the British Government.

"We are tackling this problem in our usual way," she said. "It is the job of the Foreign Office to give protection to our diplomats, and to try, if we have a terrorist situation, to bring a sensible thing to a peaceful conclusion by showing enormous patience, enormous experience and the only thing we have, in the end, by persuasion."

Mrs Thatcher said many people asked whether she had been informed in advance about the United States rescue attempt. "If we were ever to put our troops in to rescue some British people, do you think I would put the lives of our troops at risk or British people at risk, by spreading it all over the world on a confidential basis, what I was going to do?" Of course I would not."

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One serious consequence of pregnancy at such an age is loss of disruption of education, the article says.

Difficulties arising from pregnancy at such an early age are especially distressing, it says. Young girls are more likely than older teenagers and women up to the age of 35 to have complicated pregnancies, and morbidity and mortality rates are higher.

Guidelines on pill: New guidelines to be published tomorrow by the Department of Health and Social Security are expected to advise family doctors not to prescribe contraceptive pills to girls under 16 without their parents' consent.

Family planning programmes should be directed specifically at the needs of the young, and doctors should point out the possible medical consequences of sexual activity at such an early age, it says.

The risk of an attempt later at suicide is high and some research has shown a link between early motherhood and a poor relationship between the mother and baby, and baby battering.

Continued from page 1  
rain, f.

London, 5.25 am, 8.31 pm, 9.19 am

Today Sun rises: 5.25 am, Sun sets: 8.31 pm, Moon rises: 12.33 am, Moon sets: 9.19 am

Last Quarter: May 7, Lightning up: 9.11 am to 4.33 am

High water: London Bridge, 5.40 am, 6.55 pm; 6.30 am, 7.45 pm; 10.30 am, 11.45 am; Dover, 2.26 pm,